MULTINATIONAL CORPORATIONS AND AUSTRALIA: THE POLITICAL ECONOMY OF CORPORATE-GOVERNMENT BARGAINING RELATIONS

BY

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STATEMENT

This thesis is the original work of the candidate.

SIGNED.....

ABSTRACT

This study seeks to identify the nature of the bargaining relationship between manufacturing multinational corporations and a host government, to assess the distributive pattern of power and authority in such a relationship and the independence of government policy-making, and to evaluate the viability of the modern State in the contemporary international system.

These objectives are pursued through an examination of the Australian Government's relationship with manufacturing multinationals. Particular attention is given to the motor vehicles industry.

The study advances the propositions that (1) the balance of bargaining power between manufacturing multinationals and host governments is to the advantage of the governments in the initial stages and to the advantage of the corporations in the mature stages of the relationship (2) the distribution of power and authority at each stage of the relationship reflects the respective power bases of the actors, the degree of mutual need and the international context of the relationship and (3) the viability of the modern State is not undermined by the operations of manufacturing multinationals.

The research suggests that (1) the manufacturing multinationals have an initial bargaining advantage over host governments with the latter gaining the advantage as the relationship matures (2) the weight of the respective power bases, mutual need and international relations does support these dynamic bargaining positions and (3) the viability of the modern State is not compromised by the activities of manufacturing multinationals.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ACTU	Australian Confederation of Trade Unions
AIA	Automotive Industry Authority
AIDA	Australian Industry Development Association
ALP	Australian Labor Party
AMC	Australian Manufacturing
ASEAN	Association of South East Asian Nations
BCA	Business Council of Australia
CADCAM	Computer-Assisted Design and Manufacture
CAI	Confederation of Australian Industry
CBU	Completely-Built-Up
CCIR	Cabinet Committee on Industry Restructuring
CIA	Central Intelligence Agency
CIC	Car Industry Council
CKD	Completely-Knocked-Down
CPE	Centrally Planned Economy
CTEC	Commonwealth Tertiary Education Commission
DC	Developing Country
DFI	Direct Foreign Investment
DME	Developed Market Economy
EEC	European Economic Community
EMDG	Export Markets Development Grants
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
LAFTA	Latin American Free Trade Association
LDC	Less-Developed Country
MITI	Ministry of International Trade and Industry
MNC	Multinational Corporation
MNE	Multinational Enterprise
MOFA	Majority-Owned Foreign Affiliate
NIC	Newly-Industrialised Country
OAS	Organisation of American States
OECD	Organisation for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
PMV	Passenger Motor Vehicle
SIC	Secondary Industries Commission
UNRRA	United Nations Relief and Rehabilitation Administration
VEDC	Victorian Economic Development Corporation

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CHAPTER ONE

PROBLEM, THEORY AND METHOD

1. Problem

Relationships between multinational corporations and host governments have become one of the most important subjects of concern in the practical conduct and the theoretical exposition of international relations since the late 1960s. This concern has resulted from the belief among practitioners and scholars that multinationals have an impact upon the continued viability of the sovereign State as the ultimate locus of sovereign authority in the international system and as the principal unit of analysis. Exposures of alleged corporate malpractice such as Uniroyal's bribery in Mexico in 1974; the allegedly excessive profits accruing to the 'oil majors' in the 1973-1974 oil crisis; political interference in Chile in 1973 by ITT, and issues of morality raised by multinational corporate involvement in South Africa, and by disasters such as that occuring at Bhopal in India in 1984 together promote and accentuate deeper considerations of the bargaining strength of these enterprises in relation to host governments and the degree of effective accountability of the former to the latter [1].

Whilst continuing to seek access to the economic resources of multinational corporations, the concern of host governments focuses upon multi-national organisational structures adopted by these enterprises in their world-wide operations. These organisational infrastructures are believed by many less-developed and advanced host governments to provide the corporations with an operational flexibility that strengthens their bargaining power over host

governments. These firms, being globally oriented, are regarded as being guided by their global interests rather than the particular interests of the individual countries in which they operate. During the 1970s, in particular, the national/ multi-national relationship was perceived to be moving inexorably towards a "coming clash" [2]. With the benefit of hindsight it is evident that the clash has not eventuated. Sovereign States exhibit little signs of relinquishing their central role in the international system and the heat of the debate has dissipated. The purpose of this study is to examine the nature of host-government/ multinational corporate relations in the mid-1980s and to seek answers to the questions of how bargaining power is distributed between the respective actors and the extent to which the State remains a viable entity in the contemporary international system.

Therefore, the study is not an exercise in economic cost-benefits analysis or designed to test the validity of particular models of bargaining power. The adopted focus upon bargaining relationships does not indicate a pre-supposition that such bargaining is the 'normal' condition of corporate-government relationships. Rather it reflects an assumption that such bargaining relationships highlight, in a distinctive fashion, the basic interests and objectives of the respective parties. Moreover, the study does not seek to identify causal relationships, that is, it is not concerned with particular actions giving rise to particular consequences as a direct result. This restrained focus reflects the belief that the nature of the subject, given as it is to corporate and governmental sensitivity and secrecy, does not allow outside observers the luxury of being able to penetrate "behind closed doors" to an extent sufficient to discern causal relationships. The study seeks to attain the more limited goal of identifying the general distribution and composition of

power and authority in relationships between manufacturing multinational corporations and the host Australian Federal Government.

According to Jack Behrman, the "fundamental issue in the relationship of the multinational enterprise to Governments is control. ... The crux of the matter is 'Who makes the decisions and by what criteria.'" [3] In its most generalised form the problem appears as a dilemma to governments:

> The advantages of a more efficient use of resources is partly offset by economic and political disadvantages. It appears to the host government that a trade-off may be required between sovereignty and wealth-generation of the multinational enterprise, which may entail giving up the ability to exercise the power gained [4]

This study focuses upon those questions of control and national independence by following the impact of manufacturing multinationals in Australia in the mid-1980s. This particular choice of focus is explained by the nature of the manufacturing multinationals' bargaining power attributed to them by some observers and by the relatively unexplored field of Australia's experience with foreign-owned multinationals in secondary industries. The parameters of this study are further narrowed by the adoption of a case-study approach that provides for a detailed analysis of the Australian automotive industry and negotiations undertaken during the 1940s and the 1980s between the Australian Federal Government and foreign motor vehicle manufacturers.

Behrman notes the particular characteristics of manufacturing multinationals that contribute to their bargaining capacity when dealing with governments:

> Because of its rapid growth, diversity, and centralised policy-making, the multinational enterprise in manufacturing frequently has many opportunities to change its mind; it can shift the rates of expansion among its affiliates, change product-mixes, alter sources of supply, or even phase out of a market without going out of business. These capabilities add to its bargaining strength when facing governments [5]

The balance of power between multinationals and governments, particularly evident in bargaining relationships, differs according to (a) whether the industry is extractive or manufacturing; (b) whether the enterprise is centralised or decentralised in its organisational strategy; (c) whether the government involved is of a developing country (DC), a developed market economy (DME) or a centrally-planned economy (CPE) and (d) whether the bargaining relationship is at an early or late stage of development. The conventional wisdom with respect to this balance of power can be usefully identified with arguments propounded by a group described by Joseph Grieco as the "bargaining school" [6]. The general arguments of this 'school' are described by Grieco in the context of developing countries but are applicable to developed market economies:

> Three propositions constitute the bargaining school's understanding of relations between developing countries and multinationals. First, the terms by which an enterprise operates in a country, and the distribution of benefits between the parties, result from negotiations and the balance of bargaining power between the country and the company. Second, in early interactions the balance of power and benefits often favours the multinational. The developing country may control access to its markets and resources, but the enterprise has more important bargaining assets through its control of capital, technology, and managerial expertise. Third, and most important, over time the host country is likely to gain access to the various sources of bargaining power earlier controlled by the enterprise. As the country attains greater bargaining power, it forces the balance of benefits to shift in its favour [7]

However, Bennett and Sharpe, in their study of the Mexican experience of multinational automotive enterprises, argue that the reverse is the case:

> In a high technology, consumer-goods manufacturing sector the situation is often reversed. Access to the domestic market is the State's principal basis of bargaining power, and can be used most effectively at the point of initial investment. After that, the firms are entrenched in the host country through their relationships with suppliers, distributers, labour and consumers. Because such manufacturing enterprises are integrated into the local economy to such a higher degree than resource extractors, they establish relationships within the host country which significantly enhance their bargaining power [8]

The essence of the bargaining power of manufacturing multinationals is held by observers such as Michalet and the United Nations Centre On Transnational Corporations [9] to lie in their adoption and refinement of corporate strategies "that link together productive activities in different countries [thereby] specialising production to capture scale advantages ... to offset competitive inroads." [10] This strategy gained its widest recognition in the much-heralded "world car" concept advanced by the General Motors and (to a lesser degree) Ford motor companies during the mid-1970s. These strategies are believed to involve three factors. First, an expansion in the internationalisation of productive capital. Second, a rationalisation and specialisation of global intra-corporate production operations (an international division of labour within a corporation's world-wide network). Third, an enhancement of corporate bargaining capacity with respect to individual national governmental demands upon corporate resources.

Therefore, the study is interested in examining three propositions. First, that these multinational enterprises possess characteristics providing them with bargaining advantages over host governments. Second, that the bargaining

capacity of host governments decreases once the corporations gain entry to the host market and develop their productive infrastructure. Third, that central to the bargaining power advantage of these corporations is their adoption of internationalised production strategies.

Australia represents an attractive subject for the examination of government-corporate relations. Australia has a long involvement with foreign-owned multinationals reaching back to the turn of the twentieth century. The country has a significantly large multinational corporate presence arising partly from the pursuit of import-replacement industrial strategies since Federation in 1901. Moreover, like many other advanced industrial countries, Australia is experiencing a period of rapid industrial change during the 1980s necessitating a reformulation of national industrial policies to facilitate industrial adjustment and continued industrial development.

(a) Sovereignty And Independence

The introductory comments noted above suggest that the issue of multinational corporations in international relations turns largely upon national sovereignty. However, sovereignty is not the issue. What is in debate is national independence or 'viability' rather than sovereignty. The distinction being drawn is between 'juridical' and 'political' sovereignty. The former refers to an internationally-recognised right of States to govern their internal affairs free from external interference and to conduct their external affairs on the basis of equality. The latter refers to the actual capacity of States to exercise these 'juridical' conventions. Such a distinction is open to criticism [11]. Critics argue that sovereignty confers vitality upon the State through the

protection it affords against stronger States, the legal legitimacy to use coercion that it confers upon the State, the identity it provides, and the freedom of choice it offers Governments to select their allies [12].

To many observers, however , sovereignty remains a legal concept [13] referring to a supremacy of authority within the State and an equality of status without [14] or, in the words of C.A.W.Manning, sovereignty means internal "top-dogness" and external "eligibility for membership of the club." [15] However, the doubts expressed about this conception of sovereignty suggest that it is not the claim to sovereign authority that is important, rather it is the capacity to exercise such authority [16]. The fundamental reference should be to power. Vital argues "sovereignty now tells us nothing about, much less does it entail, a State's relative political independence." [17]

Whilst some taxonomies of sovereignty identify a political form of sovereignty in a phenomenological attempt to account for power considerations and locate sovereignty in an "Age of Relativism" [18], Vital argues that:

> sovereignty is related to, but is distinct from,'viability'- which points rather to the underlying capacity of a State to persist over time as a going concern and on a basis which is more or less satisfactory to its rulers and/ or it's inhabitants. Equally, sovereignty is to be distinguished from 'independence' which points, of course, to questions concerning the degree to which the government of a particular State is subject to direct, intended, but unwelcome influence by foreign governments [or other external actors] [19]

Multinational corporations raise these issues of viability and independence by posing the question of whether they "deprive an existing State either of its formal or of real powers of social and economic control." [20] Clearly, if independence is the key to the nature of 'the multinational problem', then it is

crystalised within the context of the continuing debate over the role and status of government as the institutional embodiment of the modern sovereign State. The suspicion among some governments, and conviction among others, that the multinational corporations possess the ability to deprive them of substantial "powers of social and economic control" is the central feature of the problem of multinationals in international relations. The extent to which such perceptions are shared by the Australian Government may be said to have foundation in the reality of experience. The means by which the Australian Government has sought (and seeks) to respond to such a multinational corporate challenge through bargaining forms the main focus of this study.

(b) The Actors

The ascent of Nation-States to a central position on the stage of world affairs is generally associated with their 'coming of age' in 1648 with the Congress of Westphalia and the formulation of the Treaty of Munster "after two centuries or so of improvised development" [21]. States may be differentiated in many ways. Distinctions are frequently made on the basis of size of population, territory, economy, and military strength or on the basis of ideology or even cultural character. Differentiation frequently involves hierarchical ranking such as 'superpowers' or 'Great Powers' and 'middle' and 'small' powers or 'advanced' industrial countries, 'newly-industrialised' countries and 'less developed' countries. Reynolds defines the State as

> An abstract legal entity, representing the conceived unity of the population of a defined territory, legally sovereign, having a government to act on its own behalf, and existing to serve the general purposes of its population [22]

The State is conceived, therefore, as "an abstraction, representing many empirical elements, but having itself no concrete empirical manifestation." [23] Empirical elements are held to include a People, a clearly-defined territory, a legitimate government, and an external role in international society [24]. Gould and Kolb, identifying these 'empirical elements', view the State as

> a body of people living in a defined territory organised in such a way that a designated few of their number can expect to control, directly or indirectly, by means of appeal to real or imputed group values or by force if necessary, a more or less restricted range of activities of the body of the people [25]

Government can, therefore, be regarded as the principal medium through which the State acts although, clearly, not the only composite element of the State. Government can be used to refer to the exercise of control over others within a given society, a relationship, or those who exercise such control. This study draws upon the term to refer to all of these meanings during the course of analysis. However, within the context of the problem being examined, it is the activity of governing that is of central interest. It is of interest because the multinational corporate challenge is to be evaluated with respect to the capacity of the executive of the State to exercise legitimate control over activities within that State.

A multiplicity of terms is used to describe these organisations and their use reflects the particular emphasis desired by their users [26] The term 'multinational corporation' adopted in this study has been attributed to David Lillienthal in 1958 [27] and emphasises the many countries involved in such corporate operations, a dimension reinforced by Vernon's definition of the multinational as

> a cluster of corporations of different nationalities that are joined together by a parent company through bonds of common ownership, that respond to a common strategy, and that draw on a common pool of financial and human resources [28]

Although foreign investment was significant in the world economy on the eve of the First World War, amounting to over $US 14 billion (Table 1.1), it was not until the post-Second World War period that the world stock of direct foreign investment (DFI) reached substantial levels. In 1967 the world stock of DFI stood at over $US 114 billion and by 1978 the total had reached over $US 369 billion (Table 1.2). By 1980 the level of world DFI amounted to $US 580 billion (Table 1.3). The main countries-of-origin for foreign investment in 1914 were the United Kingdom, the United States and Germany (Table 1.1). By 1967, one country - the United States- accounted for approximately half the total stock of DFI with a level of $US 56.6 billion. However, by 1980, the United States' share had fallen to 42 per cent of the world stock of DFI (Table 1.4). West Germany exhibited a significant increase in its stock of DFI and the United Kingdom retained its significant level. This European 'riposte' was augmented by by a rise in Japan's level of DFI (Table 1.4).

The main hosts to foreign investment in 1914 were the developing countries. Together these countries accounted for 63 per cent with Latin America forming the major recipient region. By 1971, however, the developing countries accounted for only half of the 1914 level and DMEs accounted for over 65 per cent (Table 1.5). DMEs remain the major hosts in the 1980s (Table 1.6). The income payable on the DFI derived from DMEs increased from over $US 7 billion in 1970 to over $US 29 billion in 1980 (Table 1.7) and these countries also formed the main countries-of-origin for these payments (Table 1.8).

These developments in DFI have been matched by trends in the number and composition of the world's stock of multinationals. The total number of DME multinationals in 1977 was over ten thousand with over eighty-two thousand affiliates world-wide. The United States, with 26 per cent of the total number of parent companies and 33 per cent of total affiliates, was the largest single country-of-origin (Table 1.9). 62 per cent of total United States corporate affiliates in developing countries were located in Latin America (Table 1.10). However, as an EEC study indicated, multinationals from Western Europe and NICs are also significant (Table 1.11).

As is the case with States, such a broad definition masks a wide diversity. Differentiation among these corporations can be made on the basis of size of population, territory, economy or military strength, geographical or multi-industry diversification, industry sector, or country-of-origin. Of particular interest within the context of this study are the differentiations arising from corporate organisational structures as it is upon such characteristics that manufacturing multinationals in particular are held to draw significant freedom of operational location and hence bargaining power advantage over host governments.

The rich diversity of corporate organisational structures is usefully contained within a broadly-based mixed-matrix organisational model comprising centralised, decentralised, vertical, and horizontal structures [29]. Following from the work by Wells [30] centralised corporate structures are associated with the attributes of full corporate ownership of subsidiaries, close "parental control over policy", centrally-coordinated global management, high levels of

intra-corporate trading, and a high intra-corporate profile of achievement and objectives. This structural form is most salient to vertically-integrated enterprises wherein there is an extension of corporate ownership 'backwards' and 'forwards' to ensure control over all stages of production, distribution, and marketing. Such enterprises may be horizontally-organised through extended lateral operational structures designed to broad product diversification requirements. These structures are more characteristic of enterprises engaged in extractive industries such as petroleum and mining. Decentralised structures, however, are more characteristic of manufacturing multinationals. These latter structures are basically the obverse of the centralised structures and similarly are to be associated with both vertical and horizontal organisational features of mixed-matrix corporate infrastructures [31]. Mixed-matrix corporate networks are closely linked to the internationalised production of manufacturing multinationals. This link is described by the United Nations in a 1983 report:

> in some industries transnational corporations are creating vertically-integrated networks of affiliates in which a subsidiary in one country may specialise in the production of only some components of the company's final product. ... The parent company may be liable to take advantage of any economies of scale and to locate it's production in accordance with each affiliates advantages in terms of human and other resource-availability (e.g. to undertake skill-intensive parts of the production process in countries with a highly-trained labour-force, to perform labour-intensive tasks in countries with low wage scales [32]

Manufacturing multinationals are some of the largest corporations in the world (Table 1.12). For example, Exxon Corporation had sales of $US 110 billion in 1980; assets of $US 25 billion; earnings of $US 6 billion and employment of 177,000. Available evidence suggests that these enterprises exhibit a significant degree of foreign content in their operations (Table 1.13). Over the period 1971-80 the level of foreign content in the operations of the world's

largest enterprises has been increasing. In particular, the foreign content in the operations of French and Canadian firms has been growing significantly. Construction, chemicals, petroleum and transport industries exhibit the highest levels of foreign content. Foreign content also varies with nationality and research intensity (Table 1.14).

In addition, Table 1.15 indicates that multinational corporations are associated with intra-firm trading. In 1977, multinational intra-firm trade accounted for almost one-third of the exports of their home countries and almost half of that of the United States. Fee and royalty payments associated with intra-firm relationships can reach significant proportions (Table 1.16).

If, as Maisonrouge suggests, the drive for the maximisation of corporate profits is associated with multinational strategies based upon a "need to plan, organise, and manage on a global scale" [33], then world-wide corporate strategies are designed to extend corporate control over global economic forces and promote a 'surprise-free world' wherein economic and political risks to their operations are minimised. In particular, these corporations are concerned with minimising 'political risk' associated with the myriad of national pressures arising from a 'World of States' and their pursuit of "irrelevant nationalism". The issue of control, with which this study is concerned, is particularly sharp at the nexus wherein the requirements of internationalised production by manufacturing multinationals meets "territorially-bound" requirements of national interests defined by host governments.

The rationale of the State is frequently equated with a governmental perception of the 'national interest', a notion used, in turn, as a synonym for

national security and economic well-being. The concept of 'national interest' is problematical insofar as it is difficult to define and thereby suffers from a vagueness in its use. Holsti suggests that 'objectives' be substituted for 'interests' in order to achieve greater specificity in understanding the actions of governments on behalf of their States [34]. The pursuit of national objectives is closely linked with authority and legitimacy in the sense that governments are held by their domestic national constituencies to be the 'proper' agents for the definition and achievement of 'national goals'. Joseph Nye argues that the legitimacy of the modern State in international relations rests upon its ability to fulfil national expectations of "some universal expected level of economic welfare, a certain political and social autonomy for the nation, and a degree of national political status" [35]. In pursuit of these objectives, governments have become increasingly involved in the economic and social affairs of their domestic societies [36].

According to Lars Anell, for governments, "the fact that an entity inside the gates is exposed to the direct commands of outsiders is a deeply disturbing fact" [37]. Such concern is generated by the way in which multinationals intrude upon the domestic exercise of economic and political functions of the State. Multinationals introduce the possibility of the external control of productive capacity within a host State, the removal of investment and trading transactions from the open market, and the establishment or promotion of domestic-international relationships encouraging interdependent linkages.

2. Hypothesis

Manufacturing multinational corporations are major non-State actors in the international system as a consequence of the massive size and scope of their individual and collective operations and their impact upon the system and the principal members - the States. The impact of these corporate actors, however, does not represent a threat to the continued viability of the State in the international system or to the system itself. The limits to multinational power arise, fundamentally, from the reality that these enterprises operate in (and prosper from) a world of States. The rationale of multinationalism rests upon the exploitation, on a world-wide scale, of the economic and political differences prevailing among States to the aggregate benefit of the corporation. Multinationalism is, therefore, a recognition of the enduring nature of the State and a resignation to the lot of corporations to work within a system dominated by States. Corporate capacity and self-interest dictate that the multinationals work within the States' system whilst legitimately seeking to extract maximum advantage from it.

In seeking to maximise the advantages to be gained from a multinational strategy, these corporations gain bargaining influence over host governments as a result of the enterprises' control over substantial financial, technological, and productive resources desired by host States for industrial development. The major characteristic of the manufacturing multinationals providing for bargaining influence over host governments is, however, that of the operational flexibility to transfer or locate production facilities between States or to modulate production output within individual States according to the

requirements of the corporations' world-wide operational interests. Such corporate bargaining strength is balanced, however, by the control exercise by host governments over access to their domestic domain. The extent to which such bargaining tools can be translated into actual influence is conditioned by the relationship of mutual economic need intrinsic to corporate - government bargaining. The degree to which multinationals desire or need access to a country's economy or to which a host country is dependent upon external sources of resources for its economic vitality determines the ability of the actors to draw upon their power bases. The dynamics of 'product cycle' sponsored multinational expansion involve pressures of product development requirements, national participatory demands, and the 'defensive investment' syndrome of 'follow-the-leader' competition between enterprises across the world's markets. For host governments, the attractiveness of multinationals lies in the corporations' possession of capital, technology, production know-how and international distributive/ marketing networks regarded as being essential to national industrial development and held to be in domestic scarcity.

These relationships of need reflect the critical significance of the problems of international and domestic relations faced by the respective actors. A host country's position in international economic and political systems and its domestic economic, social and political strength are vital in determining the composition of the government's power base and its ability to translate that power base into actual influence over multinational corporations. Host government approaches to their dealings with multinationals do not exist in a vacuum. The pattern of inter-State economic and political relationships within which the multinationals weave their operational webs conditions the response

of host governments to these enterprises. The principal impact of these broader systemic relationships is to act as constraint upon host governments in their determination of policy towards multinational corporations. This condition is reinforced by the pattern of relationships existing between multinationals and various economic, social and political groups within the domestic constituency of the host government. The establishment of such links limits the freedom of policy choice in a practical sense, by increasing the range of domestic groups with a direct and indirect stake in the interests of the multinational enterprise and the well-being of these interests in the policy-formulation processes of the domestic governmental system. The approach of a multinational to a host government is conditioned by a number of factors. First, the degree to which corporate operations have been extended across the international system. Second, the position of the enterprise relative to its competitors. Third, the attractiveness of the host country. Fourth, the nature of the corporation's links to interested indigenous groups. Fifth, the perception of the calibre and strength of governmental will to pursue national interests. In the main, the importance of these considerations lies in the limits they place upon corporate bargaining influence over host governments.

The relationships between multinationals and governments are dynamic. The balance of power is determined by the stage which the relationships have reached. The bargaining capacity of manufacturing multinationals is relatively weak at the time of initial entry to a country due to host governments' control over market access and the competitive desire on the part of the corporations for entry. Subsequently, government bargaining power is reduced as the domestic scope of the multinationals' operations increases and the costs of

corporate withdrawal are raised. The achievement of governmental goals is, therefore, more likely during the initial or early stage of the relationship than during the mature or late stage. At the mature stage of the relationship the achievement of governmental goals is probable where there is a convergence of government objectives with those of the multinationals. Where interests diverge at the mature stage the probability becomes only a possibility. The composition and resolution of the 'issue agenda', in this interpretation, clearly changes over the period of the relationship.

The 'dilemma' posed by multinationals for host governments has a reality in the 1980s. Whilst the enduring nature of the State is not undermined by multinational operations, the independence of national decision-making is open to being compromised by multinationals.

3. An Analytical Framework

In order to analyse the nature of the host government - multinational corporation relationship, this study adopts an international political economy approach. Political economy, as an analytical tool, emphasises "the intimate, dialectical interaction of political and economic forces" [38]. At the heart of such an approach is a concern with the political dimensions of "The Economizing Problem" [39]; the "age old fact of Not Enough To Go Around" [40], and the "allocation of scarce resources among competing ends for the maximum results." [41] Allocative choice and resource-scarcity involve competition for available resources and the resolution of this competition. This is the very essence of politics defined as 'who gets what, when and how' [42]. Political economy thus is concerned with the 'who gets what, when, how' of the 'Economizing problem'. A

study concerned with the relationship between manufacturing multinationals and host governments, in adopting such an analytical approach, is concerned with identifying the political dimensions of the economic relationship. The approach has, therefore, as its central focus the concepts of power, authority and bargaining.

Strange identifies three main categories of questions to be posed by an international political economy approach: operations, intervention, and outcomes [43]. The first category refers to the distribution and exercise of power and influence. The second refers to the distribution and exercise of authority for political purposes. The third refers to the consequential distribution of costs and benefits in the system resulting from the configurations of power and authority.

It is suggested by Strange and Tooze that these questions are most usefully applied through sectoral analysis described as "any study of the political economy of a specific industry in its world context, or of specific markets for goods and services" [44]. Four main stages are integral to this form of analysis. First, an evaluation is required of the nature of production processes through the identification of the amount of influence exercised over production outcomes by purchasing, design, finance, and productive power of those actors directly involved in an industrial sector. Second, the composition of the market structure should be clarified with reference to the degree of stability and change in the market and to the number of producers and their organisational nature. Third, an assessment is required of the impact upon a sector of sub-national, national, international, and world economic structures

in order to evaluate the context for the development of the sector and its political saliency. Fourth, the nature of the authority - market bargains in the sector and 'how' and 'by whom' authority is exercised in the market need to be identified.

. The mere assertion of a significant role for power in the analysis of this problem is obviously insufficient. Methodological questions of how to define and identify power, describe and understand its exercise, and define the qualitative and quantitative impact of its use need to be addressed.

An initial basis for the operationalisation of power is provided by the distinction drawn by Knorr between 'putative power'(the capacity to influence others) and 'actualised power'(the exercise of that capacity) [45]. Jones notes that "the most illuminating view of power in human affairs employs both in an integrated approach" [46].

The distribution of power capabilities among the many actors in the international system may be usefully identified through the adoption of the ideas of Goldmann and Sjostedt in their conceptualisation of 'power bases' [47]. Power base is defined as "a representation of the amount of power at the disposal of a nation" or, as applied here, at the disposal of all actors. This aggregated capacity represents a 'disposition' to power. Goldmann identifies the power base in its relational power context, defining it as "A's power base in relation to B: Those characteristics of A, of which the relation between A and B, and of the system in which A and B are components, which lead to A's possessing power over B" [48].

Following from this, Sjostedt outlines a number of such characteristics which he terms 'power base elements' of which there are three categories, each with sub-categories [49]. First, there are 'Resource Components' including those properties providing an actor with general strength, those assets of a special nature that provide an actor with additional influence, and the capacity of the actor to be creative (innovative and adaptive to change). Second, there are 'Relational Components' pertaining to the external environment of the actor, specifically the actor's external control over interdependent or transnational relations enhancing an actor's influence over others. Third, there are 'Manipulative Components' that involve the capacity of an actor to employ the power base through the mobilisation and application of power base elements.

Sjostedt discerns seven strategies of actualised power. These strategies are divided into two groups by Sjostedt: coercive and non-coercive. The former include 'negative sanctions' (the use or threat of punitive actions), 'deprivation' (the aquisition by one actor of an object desired by another), 'prevention' (the physical obstruction of another actor's objectives), and 'rewards' (the offer or promise of something to an actor in return for following the desired behaviour of the influencer). Non-coercive strategies include 'support'(the provision of assistance for the achievement of another actor's perceived objectives, 'stimulation' (the demonstration to another actor that a certain action is a feasible possibility) and 'persuasion' (the convincing of another actor through rational argument that a certain action is also in the best interests of that actor) [50].

Authority, like power, is used frequently in a number of different ways. Authority, for the purposes of this study, refers to what Strange terms "rule-

making powers" that might be exercised by governments, corporations, labour, and even the market itself. Authority, therefore, is operative among "multiple sources", the relationship between which form multiple networks.

According to Lindblom, authority can be defined as the "rule of obedience". It is operative "wherever one, several, or many people explicitly or tacitly permit someone else to make decisions for them for some category of acts" [51]. This quality of obedience implies hierarchical ordering and, in political analysis, is often used to refer to the State as represented by government. In the conventional conceptualisation of the international system, the principal sources of authority are States. However, if authority is held to be divisible, that is, multiply-sourced ('social pluralism') then it is possible to conceive of a condition of 'polyarchy' wherein 'rule by many' incurs mutual adjustment and reciprocal deference among authorities. Such a conception clearly broadens the scope of the analysis of authority beyond the limited consideration of State perspectives and actions.

Disaggregated power and authority give rise to complex bargaining relationships between multiple actors. It is argued by Dahl and Lindblom that bargaining is "frequently a politico-economic process by which decisions about scarce resources are arrived at" [52]. "Leaders bargain because they disagree and expect that further agreement is possible and will be profitable" and, to a significant degree, bargaining is "a form of reciprocal control among leaders". Thus, groups will hold advantages over others in certain issues subject to bargaining but will need to defer in other issue areas where others hold the advantages.

4. Outline Of The Study

Following from this initial discussion, the following chapters seek to examine in detail the points raised. Chapter Two presents the problem of multinationals, particularly manufacturing multinationals, for host governments and evaluates the existing body of knowledge on the subject. Chapters Three and Four examine Australia's experience of multinationals and identifies the nature of the 'dilemma' posed by these enterprises for Australia's Government. Chapters Five and Six provide a case-study of the Australian motor vehicles manufacturing industry. Chapter Seven draws together the various strands of the analysis, assesses the saliency of the hypothesis advanced in this opening discussion and attempts to formulate some conclusions in answer to the main questions posed by the study.

CHAPTER TWO

MANUFACTURING MULTINATIONALS AND HOST GOVERNMENTS

1. Introduction

This chapter provides a general review of characteristics of manufacturing multinationals and host governments with respect to their putative and actualised power. The implications for bargaining relations are assessed and an illustrative case study included.

2. Manufacturing Multinationals

The importance of the manufacturing multinationals is frequently identified as lying in (a) the size and scope of manufacturing DFI and (b) the character of manufacturing multinationals.

(a) The Size And Scope Of Manufacturing DFI

It was noted in the opening chapter that the principal sources of DFI are the United States, the United Kingdom, West Germany and Japan. For these countries, manufacturing DFI represented 44.5 per cent of US DFI; 46.1 per cent of UK DFI; 68.9 per cent of West German DFI; and 32.4 per cent of Japanese DFI in 1976. Table 2.1 indicates that, within the manufacturing sector, these four home countries exhibit different DFI patterns according to the levels of

technological intensity involved. West Germany and the United States exhibit a greater propensity for higher higher technological intensity to be associated with their manufacturing DFI. Japanese and United Kingdom manufacturing DFI is more associated with lower technological intensity. Further distinctions can be made between these home countries on the basis of their distributions of manufacturing DFI. Table 2.2 shows that the United States, United Kingdom, and West Germany have located the bulk of their manufacturing in DMEs rather than the LDCs. Japan, however, has located the bulk of its manufacturing DFI in the LDCs. These countries can gain significant rates of return on their manufacturing DFI. Statistics available for the United States suggest that the rate of return on US manufacturing DFI was 9 per cent in 1981 (8.2 per cent in DMEs and 12.5 per cent in LDCs). However, these were below the rates of return recorded in 1974 (14 per cent; 14 per cent and 13.9 per cent respectively). These rates of return for manufacturing were consistently below those recorded for petroleum and other categories [1].

According to the 1984 Fortune 500 listings of the world's largest industrial corporations, 31 of the top 50 top firms (ranked by sales) were manufacturers. This was 6 less than in the 1974 listing. 4 of the top 10 were manufacturers as were 4 of the next 10, 6 of the following 10, 7 of the next 10, and all of the last 10 [2]. These include many of the world's leading corporate names such as General Motors, Ford, IBM, Unilever, Bayer, ITT, and Proctor And Gamble. These enterprises can form significant elements within host economies. In the mid-1970s, manufacturing DFI accounted for 82 per cent of DFI in Japan, 62 per cent of of such DFI in West Germany, and 50 per cent in the United kingdom. In LDCs, comparable statistics suggest that manufacturing DFI accounted for 93 per cent of all DFI in Thailand, 92 per cent of DFI in India,

and 80 per cent of DFI in South Korea [3]. The importance of manufacturing multinationals to host economies is further evidenced with respect to the the value-added contribution they make to the host's GDP. Table 2.4 illustrates this point with manufacturing multinationals contributing almost 24 per cent of Canada's GDP in 1974 and over 14 per cent to West Germany's GDP in 1973. However, the United States, with manufacturing DFI accounting for over 41 per cent of total DFI in the country, had a GDP contribution of only 2.2 per cent. In terms of contribution to host country manufacturing employment, multinationals can account for significant proportions. Canada exhibited a high level of over 43 per cent in 1974, whilst the United States recorded a low level of only 5.4 per cent (Table 2.5).

From this brief outline, it is clear that manufacturing DFI and multinational corporate activities are largely derived from the DMEs and, particularly, from a small core group of these countries. Manufacturing DFI is directed by these countries into other DMEs and can vary in technological intensity. Japan, by directing the bulk of its manufacturing into LDCs and associating this with lower technological intensity forms an exception to the patterns recently exhibited by the other main home countries although this may be attributable to the DFI development stage of Japanese industry.

(b) The Character of Manufacturing Multinationals

Defining the character of any organisational entity is a complex task. To so define multinational corporations is made problematic by their numbers and the consequential organisational and operational diversity. However, when the characteristics of manufacturing multinationals are examined within the context

of putative power, it is possible to focus upon particular corporate features common to all these enterprises. These features can be grouped into three categories for the purpose of discussion: (1) size and scope (2) ownership and control and (3) internationalised production.

(i) Size and Scope

The manufacturing multinationals as a group include some of the largest enterprises in the world. In 1984, IBM had sales of $US 40.2 billion and a net income of $US 5.5 billion, and Nestle had sales of $US 13.3 billion and a net income of $US 600.4 million [4]. However, not all manufacturing multinationals are of this magnitude. For example, Kumar and McLeod, among others, have shown that multinationals from small countries are smaller in scale than those from the DMEs [5]. Donald Lecraw concludes that " the LDC firms ... developed an expertise in small-scale, labour-intensive technology to produce 'old', low technology, price-sensitive goods suitable for the the factor prices and income levels of other LDCs" [6]

The size of the enterprise is held to be of importance in the context of bargaining with host Governments because of the former's ability to draw upon greater economic resources than the latter in order to sustain a bargaining position over a prolonged period if necessary. This corporate economic strength is held to include the production, sales, employment, assets and R&D expenditure levels of the enterprise. The physical size of the company's world-wide plant is, therefore, augmented by the financial, technological and managerial resources available to it. As a consequence of the economic size of the corporation, it is

argued that the enterprise has a low vulnerability to economic pressure from host governments.

How valid is this proposition? An initial point, raised by Ghertman and Allen, is that of measurement and comparison [7]. Ghertman and Allen argue that "if we want to measure their respective powers, economic importance on its own is not enough" [8]. The translation of the various economic facets of a multinational corporation into meaningful comparative economic terms is highly problematic. The breadth of activity, for example, to be used for comparative purposes is open to ambiguity and vagueness.

However, it may also be suggested that the conception of multinational corporate economic strength is based upon a unitary characterisation of the enterprise. In other words, it is a single, monolithic organisation. This conception can be challenged as distorting the reality of the corporate character as the essence of these firms lies in their mixture of transnational (cross-border) and multi-national dimensions. The enterprises do operate important capital, production, distribution, and managerial links that form vital arteries in the corporate body. At the same time, however, these firms and their economic strength represent aggregates of their networks of affiliates spread across the world. In this respect, the corporations are literally multi-national in composition. In important respects, the manufacturing multinational can be considered to be more than the sum of its parts but, equally, it can be argued that the enterprise is little without such territorially-based component parts. To accept the concept of a manufacturing multinational as being in possession of an economic capacity of a unitary nature is to accept a

distortion and ignorance of the multiplicity of national components of such power.

Associated with the proposition that size equals power is the proposition that the breadth of scope of the multinational confers bargaining power. A 'footloose' or 'go-elsewhere' option is made available to a corporation as a result of its geographical distribution across a region or the world. The manufacturing multinational, unlike the extractive multinational, is not tied to physically immovable local resources and is, therefore, freer to move from economy to economy. Such flexibility enhances bargaining capacity of such enterprises insofar as they are able to play-off governments seeking to induce the multinational into their countries as they are able to threaten to withdraw from a host economy if government policies and/or domestic conditions prove unfavourable to the firm's operations. Hood and Young, in their 1982 study of Scotland's experience of multinationals "in retreat", concluded an analysis of the Hoover Company in Cambuslang with the comment that the

> Hoover case does tend to confirm some of the allegations made concerning production switching by multinationals, although for most of the period studied Hoover was little different from a multi-plant national firm, given the distribution of its assets in Europe. But with the decision to build-up Dijon and perhaps other Continental European locations the issue may become a very real one in future. Given communications difficulties across national frontiers, the multinational company is able to at least partly evade public accountability and scrutiny of its actions [9]

The competition for a multinational to locate or relocate can give rise to 'incentives wars' wherein host governments or potential hosts seek to outdo each other in the range of incentives and concessions they offer to the multinational in order to attract or retain it in local production.

Buckley and Casson noted in their 1976 study that there are two main indices of international diversification by multinational corporations : the number of countries in which multinationals operate and the estimation of the percentage of a firm's sales accounted for by production abroad [10]. According to Buckley and Casson the "remarkable feature of multinationality is its relatively high incidence among very large firms" and that the relationship between size and diversification is significant at the point where corporations become involved in twenty or more countries [11]. Julien Savary, in his 1984 study of French multinationals, found that the degree of multinationalisation increases with corporate size [12]. Table 1.13 indicates the growth in the average foreign content in the sales of the world's largest industrial corporations from 30 per cent in 1971 to 40 per cent in 1980. The table also indicates that the manufacturing sectors with highest levels of multinationalisation are the chemicals, construction, transportation and electronics industries. Manufacturing multinationals exhibiting high levels of multinationalisation (defined in terms of foreign sales as a percentage of total corporate sales) include Ford, IBM, ITT, and ICI (Table 1.12). In Sweden, foreign sales in relation to total sales of the 20 largest Swedish multinationals between 1978 and 1983 increased from 69 per cent to 76 per cent [13]

In assessing the significance of international diversification for manufacturing multinational bargaining power, it is important to draw a distinction between the multinational corporation as a potential entrant to a country and as a potential transferee. In both roles, the manufacturing enterprise has a potentially strong bargaining position where a demand for the resources of the particular enterprise exists and where the multinational

exhibits a significant level of international diversification. However, as an entrant, the firm has to take account of the existence of competitors as alternatives available to host governments; the existence of inter-governmental organisations wherein collective responses to multinationals are formulated to minimise corporate 'divide and rule' strategies; and the possibility that, even if the corporation succeeds in gaining major concessions from a government, it will be subject to 'obsolescent bargaining' (re-negotiation of contracts) once it has undertaken substantial capital investment. For example, the repeated changes made to the motor vehicles manufacturing plan by successive Australian Federal Governments throughout the 1960s, 1970s and 1980s promoted a condition of uncertainty within which motor multinationals sought to plan model development. As a potential transferee, the multinational must take account of the financial costs incurred in a withdrawal from a host economy. The greater the involvement of an enterprise in an economy, the greater the costs incurred in withdrawal. Such costs may not be limited to the purely economic. Additional factors may include potential harm to corporate image dealt by the withdrawal. Moreover, a withdrawal may arise from corporate incompetence as much as from adverse political pressures. Hood and Young argue that the 'retreat' of the Singer Company from Scotland "would seem to confirm many of the criticisms made of 'runaway' multinational firms, which are alleged to shift production around the globe to exploit low labour costs, take advantage of host government incentives, stable political regimes and so forth. While such considerations were obviously relevant in the Singer case, the extent of the production transfer was related chiefly to planning problems and an underestimation of the speed of the market decline. Even so, this does not diminish the importance of the issue from a policy viewpoint" [14].

(ii) Ownership and Control

Patterns of ownership and control among manufacturing multinationals are claimed to provide bargaining strength as a result of the maintenance of a monopoly over decision-making, information and technology. A propensity among multinationals for wholly-owned subsidiaries, it is argued, is designed to restrict host government access to, and influence over, corporate affairs.

Evidence regarding manufacturing multinational ownership and control patterns in a 1981 OECD study suggests that, in the period up to 1951, DME-originating enterprises sought 100 per cent ownership and control over their subsidiaries in the LDCs. At the beginning of the 1970s this propensity had receded and been superceded by an acceptance of minority-owned, co-owned and majority-owned subsidiaries. European and British enterprises exhibited a greater willingness to enter into minority-ownership than did American enterprises [15].

With respect to technology, the importance of the United States in the expansion of manufacturing multinationals during the post-1945 period is reflected in the pattern of IR&D by these enterprises. In 1966, the United States accounted for 50 per cent of world IR&D expenditure but, by 1976, this had fallen to 20 per cent as European countries and Japan caught up. In 1977, United States receipts for technology by American manufacturing multinational corporate affiliates, as a percentage of income from DFI, amounted to almost 44 per cent. Machinery, electrical equipment, electronics and chemicals formed the main sources of such receipts [16]. Baranson concludes that "the degree of

autonomy US corporations have traditionally enjoyed in making decisions as to the kinds of technology they released and the terms of transfer has been considerably diminished by a gradual increase in the bargaining leverage of technology purchases" [17].

(iii) Internationalisation

It was noted in Chapter One that internationalisation is a feature of manufacturing multinationals believed to provide these enterprises with significant bargaining capacity. Internationalisation has two dimensions of particular importance with respect to corporate bargaining power: international production and internalisation of intra-corporate trade and capital transfers. International production, it is argued by observers such as Charles-Albert Michalet, has increasingly come to be based upon multinational strategies consisting of "vertically-integrated networks of affiliates in which a subsidiary in one country may specialise in the production of only some of the components of the company's final product" [18]. This strategy is said to involve an international division of labour wherein high-technology production is undertaken in the DMEs whilst routine, standard-technology production is undertaken in the LDCs. The consequence of such strategies for bargaining, it is asserted, is that the multinationals limit the scope of their operations subject to national pressure and dislocation and thus limit the costs of national economic and political bargaining power to the corporation as a whole.

Manufacturing multinationals have certainly adopted such strategies of production in response to the economic and political advantages accruing to certain of the companies operations by locating in certain economies. Chapter

Six details the manner in which the multinational motor manufacturers have adopted such approaches to production. However, evidence is limited as to the extent to which manufacturing multinationals as a whole have adopted these strategies. Even those companies that have moved down this production path, such as General Motors and Ford, have not been satisfied that fully 'internationalised' production is the best avenue to follow as these corporations still find themselves subject to national intervention and disruption as well as to an immense logistical cost. Moreover, the conception of DFI flows as being based upon a new international division of labour between DMEs and LDCs is incorrect. Hughes and Parry, in a 1985 study of the role of foreign capital in East Asian industrialisation conclude that

> At one extreme, the production of primary exports and 'traditional' manufactured goods, where technology is standardised, is likely to be largely in the hands of indigenous firms. The MNEs role in the export of these products is primarily confined to marketing activities such as transport, packaging, distribution, inventory control, warehousing and the like. For products with greater 'technology-intensity' - the differentiated components and final products, where inputs of know-how are far more important in the production phase - the direct role of MNEs in production as well as marketing and, hence, exporting is more important [19]

Internalisation refers to the corporate practice whereby "a large proportion of various international economic transactions are somewhat insulated from market forces" [20]. The rationale for internalisation is claimed by Helleiner to follow from conditions wherein

> firms' objectives of profit maximisation, avoidance of governmentally imposed taxes and controls, and uncertainty reduction, will lead them in imperfect markets to internalise transactions (whether national or transnational). ... Using the market involves costs of search and negotiation (transaction costs), and uncertainty. Internalising what would otherwise be market transactions can reduce and stabilise input costs, reduce uncertainties as to the timing

and quality of input deliveries, increase and stabilise returns from the scale of both final products and intermediate inputs, and generally increase control over the firm's economic environment [21]

Helleiner argues that intra-firm trading "has never been so smooth, so efficient, or so vast as it is today" [22]. The limited evidence available suggests that 30 per cent of British exports in 1973 and 29 per cent of Swedish exports in 1975 were formed by intra-firm trade. 90 per cent of all US trade was of an intra-firm nature in 1977, of which 22 per cent was by American multinationals dealing with majority-owned foreign affiliates (MOFAs), an increase of 3 per cent over the 1966 level. However, if as Helleiner suggests, exchanges with minority-owned foreign affiliates, 'related parties' and sub-contracting licensed, contracted or otherwise "ostensibly independent foreign firms" are included, Helleiner concludes that it "seems thoroughly safe to say that US intra-firm transactions make up more than half of total imports" [23]. US fee and royalty receipts derived from intra-firm trade recorded compound growth of almost $US 15 million for the 1960-69 period and $US 13 million for the 1970-78 period [24]. Table 2.3 illustrates the conclusion of Stopford et al. that "once an enterprise produces more than one-eighth of its output outside its home country, it starts to engage in a considerable amount of intra-group trade; the ratio fluctuates as the degree of multinationality increases, but overall, at least, reaches a peak where production accounts for more than 52½ per cent of all production" [25]. From Table 2.3, it is evident that, according to research intensity and multinationality of production, in general "the high and medium research intensity industries engage in more intra-group trade than less research intensity industries, while at least up to a point, the more multinational a firm is - in terms of its total sales

accounted for by its foreign production - the higher the internationalised exports from the parent company are likely to be" [26].

Power is said to accrue to the multinationals from internalisation as it limits the direct influence that governments can exert over trade and capital flows. Corporate control over the volume, composition and velocity of such transfers can, either accidantally or deliberately, circumvent and undermine government controls.

Internalisation of intra-corporate capital and trade transactions is held to facilitate the practice of transfer-pricing whereby funds are transferred between countries by means of the over-pricing of goods and services. For example, in 1976 the Greek Government's Price Commission of the Ministry of Coordination found evidence that suggested that under-invoicing of aluminium exports from Greece through a monopoly subsidiary of a multinational appeared to be taking place [27]. This practice can reduce the funds available for taxation purposes within a particular host country. Such practices are also held to be facilitated by technological advances in electronic capital transfers unmatched by under-financed government monitoring agencies. S.R.F. Plasschaert, however, in his study of the practice of transfer-pricing concludes that its incidence is minimal [28].

Overall, it would appear that manufacturing multinationals possess characteristics that offer them putative power with respect to bargaining with host governments. However, the weight of such power base elements of a transnational nature is subject to the constraints imposed by the multi-national dimensions of their operations, that is, the reality of operating within a

States' system and its associated plethora of national jurisdictional pressures upon corporate operations.

(c) Host Governments and Manufacturing Multinationals

It was argued in Chapter One that putative power, based upon power base elements, is translated into influence or actualised power when actors enter into relationship to each other. The characteristics of manufacturing multinationals identified as potential power base elements become actualised only in relation to the power base and actualised power of the host government.

Obviously, many distinctions can be drawn between host States - rich and poor, old and new, democratic and totalitarian, capitalist and communist. However, the complexity of the world of States is encompassed within a discussion of four national characteristics for the purposes of the present analysis: (1) the size, scope and vitality of the host economy (2) the nature of the political system (3) societal stability and (4) the international status of the host economy.

The Host Economy

Central to an assessment of national putative power is the economic capacity of the State. Economies lacking indigenous raw materials, labor pool or market of size and affluence are unlikely to be able to contribute greatly to the national power base. Categorisations of economies are numerous. However, a relatively straightforward framework is one that distinguishes between DMEs, NICs, CPEs, and the Third World. For all these groups, national putative power

will be enhanced if some or all of the following factors characterise the economy : (1) diversification, vitality and growth (2) possession of particular economic factors attractive to manufacturing multinationals (3) presence of effective mechanisms for the translation of national economic infrastructure into a resource pool readily accessible to the government in order to support the pursuit of national objectives.

Clearly, an economy that is not reliant upon a narrow industrial base, exhibits a capacity to adapt to change and innovate and that records economic growth is a firm base upon which to bargain with multinationals. Such a base provides the national wealth to oil the wheels of government, it reduces the level of dependence upon external sources of industrial and financial stimulus and it reduces the reliance upon any one industrial sector and the enterprises located therein. Such a base is, however, no guarantee that multinationals would desire to locate or expand their operations in it. Particular features are often required in addition to the general nature of an economy in order to introduce an element of corporate desire into the bargaining equation. The presence of particular skills, industrial infrastructure, geographical proximity to significant markets, a cheap or skilled domestic labour pool, a well-developed financial infrastructure, managerial expertise, a sizable domestic market or a benign governmental policy regime may be sufficiently attractive to induce a manufacturing multinational into establishing or maintaining a production presence in a country. For a government, however, it is important to be able to translate the country's economic assets into a form that will support the pursuit of national government objectives. Thus, taxation and other revenue-gathering mechanisms of an efficient and effective nature are central to a host government's bargaining capacity. In addition, the infrastructure of economic

institutions designed to guide, manage or direct the economy can help or hinder the process of wealth-realisation by government depending upon the calibre of the system.

The Host Political System

The nature of a host's political system can offer putative power insofar as it is central to the degree of stability within which government bargaining takes place, to the orderliness of the identification of national politico-economic objectives and the means for their attainment and to the effective pursuit of these objectives. Thus, the putative power of a host government is attributable, in part, to the complexion of the political culture, political participation and political institutional infrastructure.

The concept of political culture is open to ambiguity. Adopting Gabriel Almond's analysis of foreign policy making as a starting point, it is possible to identify the following component groups: a small decision-making elite, an 'interested' public (including pressure groups) and a general public [29]. Holsti notes the importance of images, attitudes, values, beliefs, doctrines and ideologies in the formation of participatory political culture [30]. The history of multinational corporate relations with host governments is littered with tensions and misunderstandings associated with divergent actor perspectives upon the role of big (and foreign) business in societies. Concern in Islamic Republics such as Libya and Iran over the role of Western corporations' impact upon the internal political culture through the latters materialistic corporate cultures is matched in the Western (home) countries too. In the 1960s and 1970s, the political cultures of the DMEs were affected by the rise of

consumerism and environmentalism and there focus upon the role of big business. Corporate bribery, corruption, profits, environmental disregard and involvement with political parties became subject to broad public scrutiny to an unprecedented degree [31]. Such concern is entwined with the degree of questioning by societal groups of the extent of political participation. Access to the decision-making process and accountability of decision-makers to public scrutiny forms norms or benchmarks for a political culture. Suspicion over the role of multinationals arises from the concern that such groups wield a disproportionate degree of influence over government. Lindblom, in his oft-cited work on the relationship between politics and markets, argues that business holds a privileged position in market-oriented systems in that "a large category of major decisions is turned over to businessmen ... they are taken off the agenda of government". In Lindblom's view, a businessman is "a kind of public official and exercise[s] ... public functions". Lindblom concludes that

> government officials cannot be indifferent to how well business performs its functions. ... A major function of government, therefore, is to see to it that businessmen perform their tasks ... they cannot command business to perform. They must induce rather than command [32]

If such a role is accepted as a valid description of corporate participation in market-oriented systems then a question of societal consensus with respect to an inequality of involvement and the possibility of tensions in the political culture may arise. Where such consensus and tension exist, the government may be constrained in its policy-formulation and bargaining capacity. A multiplicity of domestic pressures upon a government can result in a disorientation in policy-making. Government is rarely monolithic in the contemporary world. The heterogeneity of the governmental infrastructure

involves departmental compartmentalisation of policy-formulation and this may give rise to bureaucratic politics, to disorganisation or, alternatively, to an effective process of 'ends-means' resolution [33].

Societal Stability

A broader conception of societal stability than that discussed above is that of the extent of general public unrest in the host country. The presence of internal unrest and uncertainty can involve time-consuming, economically-draining and politically-damaging counter-measures. The climate established for bargaining may form a factor in the bargaining process as domestic and international perceptions of the quality of the host government may adversely affect the government's ability to bargain effectively. Alternatively, it may be that, in certain circumstances such as those illustrated in the study of Chile included below, the multinational may seek to establish contacts with major domestic groups in order to form coalitions of shared interests and thereby create or facilitate 'second fronts' of pressure upon the host government.

International Status

The position of the host State in the international system can offer additional putative power. The pattern of bilateral and multilateral relationships can form an important network for the acquisition of addition information, expertise and sources of pressure in relation to multinationals. Bilateral relations with home governments may offer a means by which reciprocal inter-governmental agreements and arrangements can facilitate the pursuit national objectives. Multilateral relations through such forum as the United

Nations group of organisations, the OECD, the Andean Pact or OPEC can offer the opportunity to broaden the base of support. Such support can be encapsulated in international declarations, codes of conduct and international regulatary frameworks. Hard sanctions are rare. More significant are the pressures that can mount as international moral suasion is exerted upon an enterprise.

(d) Actualised Power and Bargaining

Chapter One noted that the translation of putative power based upon power base elements into actualised power involves the adoption by involved parties of strategies of power. These strategies, coercive and non-coercive, are employed in the bargaining process and the weight that they carry defines the bargaining agenda, the areas of agreement, those areas that become issues and the means for their resolution [34].

It is open to governments to adopt a range of coercive and non-coercive strategies. Negative government sanctions include the denial of access to the domestic economy or industry programme, nationalisation or the imposition of 'national treatment' measures such as local content provisions. Governments can introduce the element of deprivation through preferential contract treatment and the withdrawal or withholding of financial concessions or privileged status under protectionist regimes. Hosts can act obstructively by establishing or threatening to establish DFI screening processes, regulation of foreign enterprises through such measures as FOREX controls. In addition governments are able to offer rewards to manufacturing multinationals to induce them to follow the path desired by the government. Such rewards can include the continuation of market access, provision of tax relief, financial grants,

accelerated depreciations or the provision or retention of protectionism. Non-coercive strategies open to governments can include such supportive measures as financial assistance for structural adjustment, employee training and re-training and for export promotion. The government is able to stimulate manufacturing multinationals into following a particular line of action by offering comparisons with activities elsewhere and by undertaking industrial development programmes and projects designed to provide a lead to a country's economy. Such stimulation is linked to the government's capacity to persuade multinational corporate executives that a course of action is of mutual interest. Clear statements of government policy, clearly-defined and accessible policy processes and the provision of effective forum for discussion and consultation facilitate such a government strategy.

Manufacturing multinationals also adopt such strategies of 'carrot and stick' in their attempts to translate putative into actualised power. An obvious set of negative sanctions available to these enterprises are the options open to a company to locate facilities in another country or to locate particular components of production in other countries. Such sanctions include the elements of deprivation of jobs, skills, technical knowledge and exports. These corporate entities can be obstructive of national goals through such practices as transfer-pricing, 'leading and lagging' on international capital transfers, truncated production, maintaining IR&D outside the host country, retaining 100 per cent ownership and control of subsidiaries, limitation of exports, maintenance of high import levels and the maintenance of strictly limited links with the indigenous manufacturing and supply sectors. However, the multinationals are able to offer rewards to a host government to induce it to follow a particular policy line. These rewards can include the provision of

employment, the transfer of technology, extra revenue, a stimulus to social and economic development, opportunities for import substitution and for export promotion. Non-coercive strategies encompass the provision of assistance to a host country with respect to such national goals as industrial-technical training or the provision of hospitals or transport infrastructure. Multinationals can also offer stimulation to government deliberation by demonstrating the success of operations elsewhere and holding out the prospect of similar success. As with government strategies, stimulation is closely related to persuasion. The development of sophisticated and well-organised corporate offices of government and/ or public affairs, usually located close to the highest levels of decision-making in the corporate hierarchies, is a response to the needs of such non-coercive strategies of persuasion, stimulation and assistance as well as to the need for the successful communication of coercive strategies.

The bargaining implications of the matrix of relationships established by the interplay of actualised power strategies are usefully considered by reference to the work of Bennett and Sharpe. Their study of the Mexican Government's relations with the automotive multinationals during the 1960s concluded that the setting of the bargaining agenda, the identification of areas of agreement and disagreement (issues) and the resolution of the latter are central features of multinational-host government bargaining relations [35]. The determination of "why some issues and not others become subjects of bargaining and conflict" is directly related to the working-out of actualised power relationships [36]. The exclusion of certain subjects and actors from the bargaining process is a reflection of the capacity of the respective parties to

translate their potential power into actualised power. The metamorphosis of a power base element into actualised power is not automatic and is dependent upon the particular bargaining circumstances. Bennett and Sharpe argue that

> The potential power available to each actor to settle the contested issues cannot be understood as consisting simply of its possession of certain resources. Whether a resource can serve as a source of potential power depends on the context - particularly on the structure of domestic and international relationships in which the actor is enmeshed. Such relationships help in defining which resources can serve as bases of potential power. ... Potential power must be carefully distinguished from actual power: an actor may have the sources of power upon which it does not draw effectively [37]

These putative and actualised bargaining power considerations sketched above can be illustrated by reference to particular cases. A brief analysis of the Chilean Government's relationship with the ITT multinational corporation in the early 1970s is provided below. The choice of this study is a consequence of the sharpness of the relationships involved, the impact of the case upon the international community's view of multinationals and the availability of information on the subject.

ITT and Chile 1970-1972: A Cameo of Bargaining

On November 4th 1970, Dr. Salvador Allende Grossens was sworn in as President of Chile. Allende, the candidate of the Unidad Popular (UP) coalition, had gained 36.3 per cent of the vote in the September 4th election and 153 of the possible 195 votes in the subsequent Congressional election on October 24th. Allende had gained Office on a radical platform of widespread land reform and rapid nationalisation of basic industries, banks and communications systems

consistent with the UPs composition of Communists, Socialists, Social Democrats and disaffected Christian Democrats.

On September 2nd 1970, Allende announced in an election speech that Chiltelco, the Chilean telephone company majority-owned by the US multinational ITT, would be nationalised if the UP gained government. Once the UP won Office, negotiations between the government and ITT were undertaken on an intermittent basis from October 20th 1970, to March 20th 1972. During this period of sporadic negotiation, the Chilean Government unilaterally took managerial control of Chiltelco on September 29th 1971. Negotiations were broken-off by the Chilean Government on March 20th, 1972 when articles by American syndicated journalist Jack Anderson were published alleging ITTs involvement in "a bizarre plot to stop the 1970 election of leftist Chilean President Salvador Allende" and that the CIA was actively involved. A US Senate Committee of Foreign Relations Sub-Committee on Multinational Corporations conducted an enquiry into these allegations and found substantial evidence to support them. In September 1973, a military coup seized power in Chile during which Salvador Allende died [38].

The ITT 'Stake' in Chile

Well before Allende's election to the Presidency, the ITT Board had given consideration to the forthcoming election and to the prospects of the three candidates - former President Alessandri (National Party), Radomiro Tomic (Christian Democrat) and Allende - and concluded in June 1970 that Allende was the likely victor. The ITT Board's concern at the prospect of an Allende victory

lay in the company's stake in the country. The total ITT stake, in terms of book value, amounted to $US 160 million in 1970. Although the company held investments in hotels, a telephone directory book service and an international cable company, its principal stake lay in Chiltelco in which it had a 70 per cent holding amounting to a book value of $US 153 million [39].

Negotiation

As noted above, negotiation took place between the respective parties during late 1970 and early 1972 and can be divided into two phases: from the September 2nd, 1970 speech by Allende to the September 29th, 1972 managerial takeover of Chiltelco and from this takeover to the March 20th, 1972 termination. The initial phase began with an invitation from Allende to Benjamin Holmes, Chiltelco local manager, for talks on October 20th, 1970 in which he indicated that nationalisation was not yet finalised. Holmes gained the impression that negotiation was still possible. On March 10th, 1971 a meeting between Allende and two representatives of ITT, Guilfoyle and Dunleavy, took place in Santiago. Allende again stated that nationalisation had not yet been decided upon as the option of a joint venture was also being considered. Dunleavy responded by stating that ITT would negotiate in good faith but that any preemptive nationalisation would provoke ITT into invoking an OPIC investment guarantee agreement. However, on March 26th, 1971 Allende informed Guilfoyle that Chiltelco was to be nationalised and that a Commission was to be established under the auspices of the Minister of the Interior to negotiate compensation with ITT. An exchange ensued between ITT, which sought the full estimated book value of its holding in Chiltelco, and the Chilean Government which offered $US 24 million, international arbitration and an interim Chilean

managerial takeover of Chiltelco. ITT was willing to accept arbitration but not the managerial transfer as this might be used to devalue the company.

The initial phase ended and the second phase began with the unilateral acquisition of managerial control of Chiltelco in September 1971, the confiscation of the company's books, and the arrest of Chilean nationals working as company executives. No Government-corporation negotiations took place between September and December 1971. In December, negotiations resumed in Washington D.C. with the Chilean Ambassador to the United States, Orlando Letelier, and Guilfoyle conducting the talks. The negotiations focused upon the issues of international arbitration and the level of compensation. However, with the publication of Anderson's articles, these talks ceased [40].

Actor Objectives

Allende, in his famous speech to the United Nations General Assembly on December 4th, 1972, described the pressures that brought his government into Office two years earlier:

> The need to place all our economic resources at the service of the enormous needs of the people went hand in hand with Chile's regaining of its dignity. We had to end the situation as a result of which we Chileans, plagued by poverty and stagnation, had to export huge sums of capital for the benefit of the world's most powerful market economy. The nationalisation of basic resources constitutes a historic demand. Our economy could no longer tolerate the subordination implied by having more than 80 per cent of its exports in the hands of a small group of large foreign companies that have always put their interests before those of the countries in which they make profits. Neither could we accept the curse of the latifundium, the industrial and trade monopolies, credit for just a few, a brutal inequality in the distribution of income. ... Ours is a permanent battle to instil social freedoms and economic democracy through full exercise of political freedom [41]

Clodomiro Almeyda, the Minister of Foreign affairs and of Defence under Allende, in his introductory chapter to a volume of self-critical analyses by members of the Allende Government published in 1979 comments that all the contributors shared the basic assumption that

> the UP Government's meaning and significance was its contribution to the revolutionary transformation of Chilean society towards socialism. This transformation was initiated with the idea of (1) breaking the ties that made Chile a politically and economically dependent nation (2) reducing the preeminence in the national economy of national and foreign monopolies which distorted the economic structure in favour of their own interests (3) deepening and broadening the scope of agrarian reform, and (4) setting up a system of social property which would eventually become the dominant sector of the economy, thus determining the socialist orientation of the revolutionary process [42]

Thus, it is clear from these statements that the Allende Government's political perspective and the policy-programme that followed from it was one of fundamental economic, social and political reform. What did this mean in practice? Gonzalo Martner, the Minister of Economic Planning in the Allende Government, writing in 1972, identified eight basic goods in the 1971-76 Plan for the National economy. These goals were (1) to gain greater economic independence (2) to pass from an exclusive economy to an economy of popular participation (3) to improve national income distribution (4) to reconstruct the productive apparatus in order to raise the standard of living (5) to increase savings and reorientate their use (6) to extend the social ownership sector and transform its function into a leading role in development (7) to increase national production by changing from a stagnant economy to an economy of sustained development and (8) to create a more spatially balanced economy [43].

For the multinationals operating in Chile the future appeared one of nationalisation and exclusion from the Chilean economy. In the light of this, ITT sought to dissuade the Allende Government from undertaking nationalisation. When this failed, the company then sought to ensure that its 'losses' were minimised by ensuring adequate compensation. What then were the respective power bases and actualised power strategies adopted by the actors in pursuit of these objectives?

Putative Power

To what extent could the Chilean economy form a power base element for the host government in its bargaining with ITT? The Chilean population in 1970 was just under 10 million people. The economy was small with a GNP of $US 7.4 billion. The annual average growth rate over the 1967-70 period was 2.7 per cent and Chile ranked sixth in the region with respect to per capita production levels [44]. The weakness of the Chilean economy in 1970 was reflected in social indices : there were 2,130 people to each physician (compared to 810 in Britain); 260 people per hospital bed (100 in Britain); an infant mortality rate of 82.3 per thousand (18.4 in Britain). The percentage of labour force in industry totalled 21 per cent (45 per cent in Britain). The country was in receipt of a large foreign debt of $US 2,581 million in 1970 of which 77.3 per cent was owing to other countries rather than multinational institutions such as the IBRD. Repayments were due within 15 years for 66 per cent of this indebtedness. Chile's ability to service this debt was failing. Over half of the countries exports were accounted for by copper with the country's main import comprising food. Chile's principal trading partners were the United States, West Germany, Japan and Brazil. The Chilean manufacturing sector reflected high

levels of concentration of ownership with figures for 1963 showing that three plants accounted for 44 per cent of workers and 51 per cent of value-added. In 1968 the highest levels of ownership in manufacturing lay in the tobacco, paper and cellulose, rubber, beverages, transport and minerals industries. These industries also recorded the highest levels of foreign investment [45].

Over the course of the 1970-72 period, the Chilean economy's poor condition worsened. The balance of trade moved from a surplus of $US 155.7 million in 1970 to a deficit of $US 255.2 million in 1972. Private capital transfers overseas increased from $US 2.6 million in 1970 to $US 117.1 million in 1971 with a further $US 5.6 million in 1972. The balance of payments changed from a surplus of $US 98.5 million in 1970 to a deficit of $US 327.6 million in 1972. Chile's terms of trade moved adversely from 76 to 64 percentage points over the 1971-72 period (1970=100). The terms of trade for copper fell 26 per cent in 1971 and 33 per cent in 1972. Inflation soared. In 1971, the December year-on-year average was 22.1 per cent; in 1972, it was 163.4 per cent (and in 1973, it reached 647 per cent) [46]. This economic crisis, according to Allende, was attributable in large measure to "a new expression of imperialism - more subtle, more sneaky, and terribly effective ... efforts to isolate us from the world, strangle the economy and paralyse the sale of copper, our main export product, and keep us from access to sources of international financing. ... we denounce the financial-economic blockade with which we are attacked" [47]. This blockade is discussed below. The point of importance here is the obvious weakness of the economy as a power base element.

Up to 1973, Chile's political system reflected remarkable stability in a region characterised by instability. Dictatorship and military coups were rare

in the country's political history. The political system operative in 1973 owed its origins to the Constitution promulgated in 1925 which provided for "a unitary state with a republican representative form of government". The Chilean representative system comprised a bicameral Congress with a Senate and a House of Deputies. Elections were based upon universal suffrage and secret ballot. The judiciary was characterised by formal independence and a long tradition of adherence to the Constitution.

Within this context of general political stability in Chile, Biehl Del Rio and Gonzalo Fernandez R. argue that in 1970 "between the popular vote and the election of the President by Congress, a dangerous atmosphere began to develop throughout the country. On top of a financial crisis, caused by panic in right-wing circles, there was a feeling that a coup d'etat would be a most likely development. There was a sense that someone should fulfil his 'duty' in an 'unexpected crisis' like this" [48]. It is argued that this tension was in Congress and by the focusing of popular attention on crisis as a result of of the assassination of the Army's Commander-In-Chief by an extreme right-wing group attempting a kidnap to force a military coup.

Although Allende gained Presidential Office by virtue of winning the popular and the Congressional elections, it is possible to argue that the gaining of control of the executive branch of government by the UP rested upon relatively weak foundations. Allende gained his popular victory by a slender margin of only 1.4 per cent over the National Party candidate and only gained just over one third of the total vote. In the Congress the coalition parties' representatives were in the minority and were dependent upon gaining the support of the Christian Democratic Party in return for 'constitutional

guarantees'. Moreover, the UP was a 'minimum winning coalition' and open to the tensions of coalition politics when the Radical Party split itself in two in 1971.

Finally, the Congress that Allende's Government faced and had to live with until March 1973 was the consequence of elections held in 1965 and 1969 and the minor party realignments of the intervening period. The UP could only rely upon the support of 23 and the Opposition on 27 of the Senators and upon 57 and 92 members of the House of Deputies respectively. Thus, of the 200 members of Congress, the UP Government could count upon the support of only 40 per cent and that being based upon four parties and two 'movements'. Thus, the hold of the Government over the central political institutions was tenuous [49].

Despite the economic and political conditions in Chile in the 1970-72 period, there was relatively minor social unrest. The MIR continued its attacks upon the Government as the 'guardian' of the revolution. Conservative newspapers, politicians and party rallies mounted political attacks upon the Government. Uncertainty surrounded the nature and extent of the Governments reformist programme. However, for the period of the Government's bargaining with ITT, there was a relatively stable domestic social condition.

Chile's international relations during the 1970-72 period offered limited potential power to the Government. Upon taking Office, Allende re-established Chile's diplomatic relations with Cuba, North Korea, East Germany, China and Vietnam. At the same time, Allende visited Argentina, Ecuador, Colombia and Peru to gain support for the principle of political pluralism in Latin America and to allay fears of the spread of Chilean socialism. Chile, Allende stated, was "not

exporting Popular Unity, because we have a tremendous respect for the concepts of self-determination, non-intervention and dialogue between peoples". Chile was a member of the Latin American Free Trade Association and the Organisation of American States. Chile was also a member of the United Nations. In economic terms, Chile's international position was problematic. The trading and capital relations of the country, as noted above, were highly adverse during the Allende Governments tenure of Office. Of particular importance in the context of the Governments relationship with ITT was Chile's economic ties with the United States. In 1970, the United States exported $US 300 million worth of goods to Chile amounting to almost 37 per cent of Chilean imports and Chilean exports to the United States amounted to $US 157 million. United States DFI in Chile totalled $US 758 million in 1970. Aid from the United States to Chile totalled $US 1.4 billion for the post-1945 period and the United States accounted for almost 58 per cent of Chile's foreign debt to other countries in 1970 ($US 1,334 million) [50].

Overall, the Chilean Goivernment had a qualified economic, political and social power base from which to draw putative power. ITT, however, had a potentially strong power base. In 1969 ITT had sales of $US 5.5 billion and a net income of $US 234 million. Ranked the ninth-largest industrial corporation in the world in 1970, ITT had factories in 27 countries and operations in 70. 60 per cent of ITTs business was located within North America. In Chile, as has been noted, ITT held an estimated stake of $US 160 million in 1970 with the Company's 70 per cent holding in Chiltelco amounting to $US 153 million. ITTs global economic size and scope of operations were clearly substantial and the Chilean operations were of consequence in an economy experiencing difficult times. The ITT company could also draw upon close links with senior officials

in the US Government Administration and in the covert services branch. ITT was also well-placed to establish cooperative relations with other American corporations involved in Chile.

Actualised Power

The Chilean Government sought to draw upon its power base elements through a mixture of non-coercive and coercive strategies. The Government upon taking Office undertook a negotiation process to seek a non-conflictual, orderly transfer of ownership and control of Chiltelco from ITT to the Chilean State. This strategy of persuasion was accompanied by the stimulatory approach of offering compensation. However, the Chilean Government also sought to establish domestic and international pressure upon ITT. The mobilisation of domestic party political and popular support culminated in the April 1972 announcement of nationalisation at a public rally of 200,000 people. Through Allende's address to the General Assembly and the expressions of support given to his Government by the OAS, LAFTA and the Non-Aligned Movement established a climate of unfavourable opinion against ITT. Importantly, the Club de Paris, wherein Chile's massive foreign debt was re-negotiated with 14 creditors, gave financial support by ceding Chile 14 months to pay $US 900 million with the remainder to be paid over six years from 1975 [51]. However, the country experienced economic constraints upon its actualised power as a result of its ties with an increasingly hostile United States. Allende noted the nature of this pressure in 1972:

> In the past decade, Chile received loans from the agency for International Development of the United States (AID) totalling about $ 50 million a year. ... the drastic elimination of those credits has resulted in important restrictions in our balance of payments. Upon taking

> office as President, my country had short-term credit lines from private US banks, destined to finance our foreign trade, that amounted to $ 220 million. In a short period of time those credits were suspended and about $ 190 million have been deducted, a sum we had to pay, since the respective operations were not renewed. Payments of loans contracted by Chile with agencies of the public sector of the United States before my Government took office, and which were being carried out then, have also been suspended ... the nature of the international agencies has been distorted. Their utilization as instruments of the bilateral policy of any of their member states, regardless of how powerful it may be, is legally and morally unacceptable. It means putting pressure on an economically weak country and punishing a nation for its decision to regain control over its basic resources. It is a premeditated form of intervention in the internal affairs of a nation. [52]

Coercive Governmental power lay in its ability to exercise legitimate authority to nationalise. The establishment of managerial control and finally national ownership and control reflected the governmental right of discretion over access to the domestic marketplace.

ITT, however, drew upon a strategic mix wherein "ITT, while plotting Chile's total disruption, still continued to negotiate for compensation with the appearance of goodwill" [53]. ITTs non-coercive approach was to persuade the Chilean Government that nationalisation was an inappropriate measure. ITT sought to persuade the Government that the nationalisation of the copper companies without compensation had created international uncertainty and hostility towards foreign investors. To signal to the world that Chile was not universally against foreign investment it would be useful to come to some separate arrangement with ITT over Chiltelco [54]. However, once it became clear that nationalisation would go ahead, the company sought to ensure that it would gain adequate recompense for its 'loss'. The agenda for negotiation thus came to be concerned with the issue of the level of compensation rather than with

nationalisation itself. This latter question was to be determined in the broader field of shadow boxing internationally and, particularly, in the United States. ITTs adoption of coercive, extra-negotiation strategies was a reflection of the limitation of the actual negotiation agenda and the corporation's belief that its power base offered greater strength outside the formal negotiating process.

In his address to the General Assembly, Allende stated that "before the conscience of the World I accuse ITT of trying to provoke a civil war in my country - the supreme state of disintegration for a country. This is what we call imperialist intervention" [55]. These coercive strategies included (1) the establishment of an Ad Hoc Committee on Chile comprised of American corporations involved in the Chilean situation and designed to coordinate pressure upon the US Government to block loans to Chile through international institutions (2) the promotion of covert destabilisation to prevent Allende's election to Office and, failing this, to undermine his Government in Office. Such proposed actions included an election fund of $US 1 million for the support of non-UP presidential candidates; a programme of disinformation; restrictions on loans, credits and aid to Chile and a ban on purchases; a boycott of Chilean copper; the establishment of links with disaffected military personnel; and the creation of a Dollar shortage in Chile.

ITT was not able to translate its power bases into substantial actualised power. The Ad Hoc Committee was undermined by a lack of shared interest among the corporations involved and the duplicity of ITTs negotiating strategy that would have seen the other corporations nationalised and ITT remain relatively independent. The US Government was unwilling to adopt the covert strategies proposed by ITT; at least until September 1971 when concern began to mount in

some Governmental quarters about an Allende Government. An 18-point action plan devised by ITT executives, transmitted to US Government officials in October 1971, and designed to ensure that Allende would not "make it through the next six months" [56] was not adopted by the US Government. However, the US Government did undertake its own coercive strategy independent of ITT [57]. During the period of the Allende Government, the availability of vital international economic assistance through agencies such as US AID, The US Export-Import Bank, the Inter-American Development Bank and the IBRD became limited [58]. The failure of ITT to get its home government to act on its behalf during the 1970-72 period was an important factor in the company's inability to establish significant bargaining power over the Chilean Government. Chiltelco was nationalised, ITTs image was tarnished, and the US Governments role was open to criticism. Although, in the longer term, suspicions remain as to the role of ITT and the CIA in the eventual overthrow of Allende in 1973 [59], the 1970-72 period illustrated the importance of distinguishing between potential and actual power in multinational-host government relationships.

CHAPTER THREE

MANUFACTURING MULTINATIONALS AND AUSTRALIA

This chapter examines the nature of multinational corporate involvement in Australia, particularly that of manufacturing multinationals, and seeks to identify how government policy formulation in Australia has been affected by such involvement.

1. Multinational Corporate Involvement In Australia

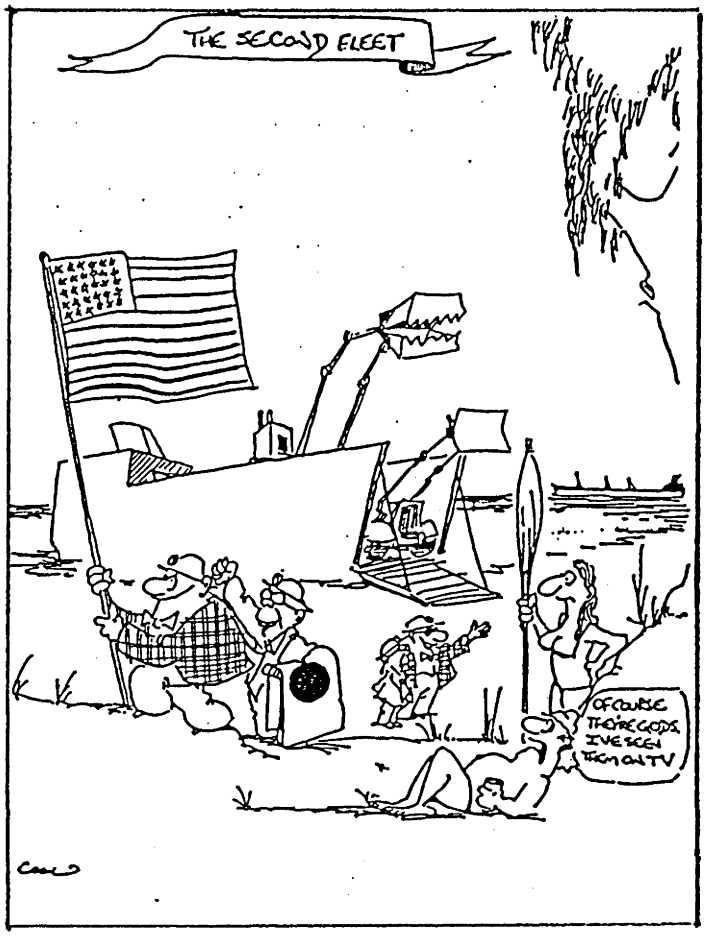
The involvement of overseas enterprises in Australia can be traced back to the earliest origins of the country. American corporations, for example, first entered Australia in the 19th century. The involvement of multinational corporations in Australia, however, expanded substantially after the Second World War with significant inflows of direct foreign investment(Table 3.1). It is clear that the principal sources of DFI into Australia over the post-war period have been Britain, the United States, Japan, and, during the 1980s, the ASEAN countries. The main industrial targets for this investment have been, almost chronologically, the manufacturing, mining and service sectors (Table 3.2).

The distinctive feature of direct investment is the element of foreign ownership and control associated with the investment. In 1976, the OECD concluded that the Australian economy had the largest overall foreign ownership and control of member countries after Canada (Table 3.3). In the manufacturing sector in 1975-76, 86 of the top 200 enterprises in Australia were foreign-

controlled (Table 3.4). In 1982-83, foreign interests controlled 50 per cent of mining, 33 per cent of manufacturing, and 35 per cent of financial services (Table 3.5). Statistics for 1976-77 indicate that 313 foreign-controlled corporations accounted for 52.3 per cent of corporate expenditure on Research and Development in Australia, the main countries-of-origin for these corporations being the United States and Britain (Table 3.6)

Overall, foreign ownership and control of manufacturing industry in Australia experienced little change over the decade to 1982-83 (Table 3.7). However, the involvement of multinational corporations in Australia is uneven with some industrial sectors exhibiting higher levels than others (Table 3.8). Table 3.8 indicates that, in the manufacturing sector, foreign ownership is highest in the chemicals, petroleum and coal industry. Foreign ownership and control in the manufacturing sector also exhibits regional variation with New South Wales, Victoria and South Australia exhibiting the highest levels (Table 3.9).

The presence of foreign multinationals in the Australian economy is therefore substantial and involves high levels of foreign ownership and control in important sectors of the economy. The sheer size and scope of this involvement necessitates Government attention insofar as it raises the political question of overseas control over national resources. Whilst there is recognition that private corporate interests in Australia critically affect the process of wealth-creation and allocation, little differentiation between national and multinational enterprises is made by the Australian Government on this basis. Where such differentiation does arise, however, is in the opportunity for key economic activities within Australia to be determined by



Source: The National Times

extra-territorial decisions and actions. It is in the light of this consideration that Australian Governments have sought to establish policies that will continue to promote DFI from overseas corporations whilst minimising any possible loss of national control to these corporations.

2. Australian Government And Multinational Corporations

Australian concern over the possible loss of government control over national affairs has a substantial history. John McEwan declared in 1960 that "we don't want to be taken over. We will not be taken over" and in 1963 argued that "we are selling a bit of our heritage each year". Prime Minister Whitlam argued in 1973 that the Australian Government needed to meet the aspiration of "an Australia determined to be master of its own household" whilst Prime Minister Hawke commented in 1983 that "majority ownership and control of our resources should be in the hands of the Australian people". The kernel of the problem was expressed by H.C.Coombs (former chairman of the Reserve Bank of Australia) when he argued that the extensive involvement of foreign interests has "entrusted decisions on matters which may become of increasing national concern to men whose purposes are not ours, whose allegiances are elsewhere, who are not exposed to the social pressures which influence Australians and whose interests in our economy may therefore be limited to the short or long-term profits they can derive from it" [1].

The heightened sensitivity of Government to the activities of the multinationals, as opposed to purely national enterprises, springs from this perception of the 'foreignness' of these corporations and from the acceptance among decision-makers of the belief that "some significant part, if not the bulk

of the resources controlled by the MNE, always lies outside the reach of the national government and the nation-based trade union. These resources provide the multinational corporation with alternatives and the very existence of these alternatives strengthens its bargaining power" [2].

Australia has a small domestic market with a population of only 15.1 million in 1982. The population furnished a participation rate in the economy of 60.6 per cent in 1983-84. The market, although small, is attractive in that its purchasing power is relatively high. The Australian GDP grew at an annual average rate of 2.8 per cent between 1971 and 1981, and in 1982, Australia ranked twelth among the OECD countries on the basis of GDP per capita levels (Table 3.10).

Australian factor endowments rest upon natural resources such as minerals and pastoral lands and human resources embodied in a well-educated, skilled population. The relatively high per capita income levels and a standard of living ranked twenty-sixth in the world in 1979 are important features of the market. The socio-political framework of the country, based as it is upon a variant of the Westminster form of democratic representative government, and a population derived mainly from the countries of Europe, is characterised by political, social and economic stability and provides a favourable environment for the operation of a capitalist economic system. The Australian economy is also potentially well-placed to benefit from its geographical proximity to the mass markets of the Asian and Pacific regions to improve its export levels (Table 3.11).

According to a Brookings Institute study published in 1984, comparative advantages accrue to Australia in minerals, primary products, and capital-intensive, middle-technology manufactured goods. However, Australia exhibits comparatively high costs with respect to the development of a broad-based manufacturing sector. The 'tyranny of distance' inherent in the geographical base, concomitantly high costs of energy and transportation, small market size, high unit wage levels and the ease of importation of finished goods to a population located mainly around the rim of the continent and with bulk concentrations on the eastern seaboard, have together raised the costs of establishing a viable secondary industry sector. Once domestic growth and migration levels dropped in the 1970s, these fundamental disadvantages debilitated secondary industry [3] (Table 3.12).

Such difficulties have long been dealt with by Australian Governments through intervention in the economy designed to artificially reduce the costs of these basic disadvantages. The provision of quantitative barriers to imports, particularly with respect to manufactured goods, is the most obvious form of such government intervention. The provision of major tariffs from the turn of the century onwards represented a deliberate decision by successive Australian governments to allocate scarce national resources to industries where Australia held little comparative advantage. This was designed to provide these industries with a "breathing space" in which to mature and secure a domestic competitive base against imports. With a relative dearth of domestic capital and know-how in Australia, Government objectives of developing a diverse manufacturing sector were to be achieved by means of import-replacement through protectionist policies. Companies exporting to Australia would be induced to establish production facilities within the Australian economy and behind a tariff wall.

Thus, Australia would be able to gain access to an externally located pool of financial and technical knowledge vital to the country's economic development needs. In the 1980s, the Hawke Labor Government has faced the same economic goals of development, growth and the capturing of externally-available capital and technical resources. However, it has also been faced with the need to draw upon a different range of policies for the achievement of these goals. The need for a new matrix of policy tools resulted from the rising cost of protectionism and its failure to gain the objectives it was established to achieve.

In one respect, however, it can be argued that protectionism did achieve its objectives. Forster notes that the establishment of the "new industries" of steel, motor vehicles and 'white goods' was attributable to their 'infant growth' promoted by substantial inflows of foreign capital and corporate involvement. Foreign corporations, in Forster's view, were responsible for over half of the expansion in general industries during the 1920s [4]. As the Australian economy expanded during the post-1945 decades, import-replacement policies remained the principal means by which Government sought to achieve the objectives of national economic development. Direct foreign investment increased from $A709 million in 1950 to $A5,275 million in 1970. Foreign ownership in the manufacturing sector increased from 19.6 per cent in 1962-63 to 32.1 per cent in 1972-73. Imports decreased from a yearly average (per cent of GDP) of 19.3 per cent (1949-50/1953-54) to 10.6 per cent (1969-70/1973-74) [5] although exports grew only marginally (Table 3.13).

At the beginning of the 1970s the general effective rate of Government tariff assistance to Australian manufacturing industry stood at 36 per cent and by 1982 remained at 26 per cent. Such an average level masks the unevenness of

the assistance distribution between industries. In 1982, clothing and footware, motor vehicles, transport equipment and textiles received high effective rates of assistance whilst non-metallic mineral products and food received the lowest rates (Table 3.14)

Protectionism in Australia, however, proved an inappropriate tool for gaining the long-term goals of Government. The domestic costs of transportation and the geographical dispersal of the market led to the multinationals establishing multi-plant production facilities to serve local State markets. This fragmentation was promoted and reinforced by State Government protectionism exhibited through the pursuit of State Government preference purchasing policies and subsidies for firms establishing within a particular State. Fragmented small-scale production proved increasingly expensive to the Government budget and to the domestic manufacturing infrastructure during the 1970s given high unit costs involved in short production runs. Two of the most obvious industries involved in this production dispersal were the motor vehicles and petroleum refining industries. By the 1970s these industries were involved in rapid programmes for the rationalisation of facilities in the most heavily populated and infrastructurally-developed States of New South Wales and Victoria in order to spread the costs of production over longer runs and shorten lines of supply to the main production facilities. The cost of protection amounted to a tax equivalent in 1981-82 of $A3.9 billion. At the same time the share of GDP accounted for by manufacturing has fallen from 28.4 per cent in 1962 to 20.1 per cent in 1982 and employment in the sector fell from 27 per cent of the total workforce in 1968 to 18.3 per cent in 1983. From 1968-69 to 1981-82 employment declined fivefold in the most heavily-protected

industries. Exports have remained low whilst imports have returned to high levels despite protection (Table 3.15). The Manufacturing sector accounted for only 20 per cent of all exports in the 1980s. Overall, once attracted to establish within the Australian protectionist regime, multinationals and national firms alike found little incentive in the long-term to be innovative and highly competitive.

From its earliest origins, the Australian State (defined in terms of centralised government institutions and legitimised authority) has figured prominently in Australia's economic development. By historical necessity, centralised authority has directed economic, social and political development in the country commensurate with the early penal nature of the colony, the distance from the parent country and the very nature of the rugged land itself. However, such centralised intervention has been regarded as forming only a necessary "collective power at the service of individualistic rights"; in other words, "it is individualism that accepts a corset of collective convenience". Thus, Australian Governments are socialistic in the broadest of senses ("socialism sans doctrine" in Metin's phrase) of simply "getting together to do things that need to be done", rather than in the sense of an 'a priori' commitment to centralised governmental intervention in society [6]. In an important respect, however, the existence of a number of colonies on the Australian continent with their own governmental institutions and internal mechanisms for allocating economic resources, has provided the foundations for the allocation of national resources formalised in the constitutional division of responsibilities between the Commonwealth Government and the federated States and Territories.

The federal tier of government in Australia has experienced a substantial expansion of its economic role since the eve of the First World War. Anell defines this economic function as the necessity for government to "distribute available resources - money, food, land, power, jobs, and prestige - between all the conflicting interests which can make themselves felt. The art [being] to mete out the portions according to the potential power of the different groups" [7]. The scope of the Governments involvement in the economy is evident from Table 3.16.

The adoption by the Australian Federal Government of an extended economic management infrastructure operating as a 'neutral' economic adjudication system in the key areas of incomes, prices and business practices extends the institutional environment for the determination of national resource allocation, an environment already made complex by the interplay of government departments and agencies. The importance of this institutional network for the Government's economic function is described by Anell:

> More and more corporations and people are becoming economically dependent on political decisions. This change has several dimensions. As long as the economic sphere is predominant, the government is relieved of a number of problems. The anonymous market forces decide which corporations are to expand and which are to stagnate. The distribution of resources is a result of individual competence, and everyone has to adapt his requirements to his own income. When the political sphere takes over, the conflicts become apparent. The distribution mechanism no longer a diffuse natural law but resides in interest groups with greater or lesser power [8]

The importance of multinational corporations to the Australian Government in the mid-1980s can be related to pressures of structural change and adjustment in the Australian economy. Structural change has been defined as "the larger and more lasting changes which occur in the structure of production in

the economy", whilst adjustment refers to the "actual responses in resource allocation" [9]. Structural change during a period of prolonged economic recession inhibits the ability of a society to adjust, reinforcing sectoral intransigence and immobility. The possibility of misallocation of resources is increased as a result of a lack of mobility in the economy and has the effect of reducing the pool of available resources and, in a circular fashion, further intensifying tendencies to economic stasis. Political margins are narrow in such conditions of economic rigidity. Industry policy, as the reponse by government to the requirements of adjustment to structural change, has been defined by Neil McInnes as "public intervention to promote or reorganise selected industries" [10]. Such policy is open to the complex pattern of pressures arising from the various groups affected by the adjustment process and the shifting tide of costs.

The Hawke Government entered Office in March 1983 with the commitment that it "must count among its major tasks the management of domestic and international responses to an ever-changing world economy" [11]. The 1979 report by The Study Group On Structural Adjustment (The Crawford Report) identified six main sources of structural change within Australia as the country entered the 1980s: lower rates of population growth, technological change, growing import competition, wage increases (particularly for women), changes in domestic consumer demand away from manufactured goods and towards services and education and the impact of precipitous Government actions during the 1970s such as the 25 per cent across-the-board tariff cut of 1973 and the appreciation of the Australian Dollar [12]. Reflecting the conclusions of the

Crawford Report (of which Prime Minister Hawke was a member in his status at the time as ACTU President), the Labor Government accepted the view that "Australia's interests wil be served best by gradual movement towards lower protection" [13] and a "movement towards a more competitive, export-oriented manufacturing industry" [14]. Again showing a close similarity to the findings of the Crawford Report, Labor has argued that a "positive" industrial development strategy" is essential for successful adjustment. Government, the Labor Government argues, has a major role to play in promoting a "guided economy" wherein

> industry restructuring is not simply a matter of lowering the level of protection ... and leaving it to the market machanism to pick up the pieces, adjust and grow itself into a new and better world ... there are a range of social, regional and economic considerations to be taken account of. There is a real role for positive policy measures to ensure that the benefits of restructuring are realised [15]

The leaders of the Labor Government adhere to the view that "at the end of the day market discipline will be the determining factor" and that the Government will remain at "arms length from commercial decisions" [16]. Industry policy, according to the Minister for Industry and Commerce (later Industry, Technology and Commerce), should be "market-orientated, both to the domestic market and beyond, to the world market".

The significance of manufacturing multinational corporate subsidiaries in Australia for this "coordinated industry approach" of the Labor Government can be summed up by a research paper prepared by the Bureau of Industry Economics in 1979:

> Foreign-owned enterprises perhaps possess some advantage in being able to adjust to pressures for change. First, they can normally expect to suffer a lesser disadvantage in periods of economic downturn in one country because their operations are spread over a number of economies. They would also tend to have much more of an international outlook, would have better access to new technology and capital and would be able to rationalise their domestic operations as part of a larger international plan. This response might induce final assembly of products in Australia or the production of some specialised component parts. With about a third of total manufacturing turnover attributable to foreign-owned enterprises in 1972-73 [and in 1982-83], the behaviour of these firms in the face of mounting pressures for change is an important consideration [17]

Labor industry policy accepts this importance of multinationals to the development of the Australian economy. In a paper published in 1981 (and carrying the name of Chris Hurford, a leading minister in the Hawke Government), it was accepted that the multinational subsidiaries "have acted as powerful agents for structural change" [18]. Multinationality, as a "go-elsewhere" capability on behalf of a corporation seeking means to counter the costly aspects of economic change and adjustment, is held by influential advisers in the Labor Government to provide the corporations with a "bargaining power [which] ... may result in a transfer of public funds to the private sector in a bid to maintain their investment spending" [19]. The problem for Australian Government industry policy-makers with respect to multinationals is that of trying to balance the benefits of their presence with associated costs. The ALP Platform (1982) on Foreign Ownership and Investment reflects this balance:

> While recognising the contribution of the supply of capital, technology and know-how by foreign corporations to the post-war development of the Australian economy ... Labor believes that increasing foreign domination of the Australian economy by foreign-based transnational corporations endangers our national sovereignty and places our resources, technology, and the leading role in determining the future pattern of development at the control of corporations whose interests are not necessarily in accord with the best interests of our nation. Furthermore, their international scale and enormous economic power impinge

> upon the effectiveness of the traditional tools of government economic management, and indeed reduce the authority over the national economy [20]

This general approach to multinationals adopted by Labor is translated into a number of specific policy directives in the 1982 Platform. These include the maintenance of the existing restrictions upon foreign entry into strategic areas of the economy such as banking, clarify guidelines for foreign investments to ensure "net economic benefits" to Australia, expand the functions of the Foreign Investment Review Board (FIRB) to include the requirement of majority Australian equity in the new projects, the reservation of Australian ownership and control in key sectors, adherence to a code of conduct specifically in the areas of intra-corporate trading and capital transfers. It also included financing and employment, the extent of local borrowings for corporate expansion, provision of trade union representation on the FIRB, the encouragement of loan capital rather than direct investment for economic development, and support multilateral initiatives for the sharing of information concerning multinational corporate activities world-wide [21].

In response to this Platform, the Labor Government expressed its recognition that, whilst foreign investment aids the economy, "there is an aspiration of the Australian people to have the decisions which affect their lives made here. ... They like in a democracy to be sure that they can penalise those that are making the wrong decisions, and if those people live in Tokyo or Detroit or London ... they feel they are not living in a democracy" [22]. Prime Minister Hawke reiterated the Government's aspiration that "majority ownership and control of ... resources should be in the hands of the Australian people" [23]. However, despite these utterances, the Labor Government "affirmed the

recognition of the economic benefits of foreign investment and acceptance of the broad thrust of the policy that has been in operation for several years [24]." Whilst the Government has maintained important sectors of the economy as proscribed to foreign investors and has included trade union representation on the FIRB, little movement ensued with regard to the other requirements of Party policy. There has been no attempt to limit the local borrowings of multinationals, a public equity role by Government has been rejected, little expansion of information dissemination has occurred, corporate behavioural practice is embodied in the non-discriminatory Trade Practices Act and general support for the initiatives of the UN to formulate a code of conduct. In important respects, Government policy towards multinationals does not conform to the 1982 Party Platform [25]. The requirement that equity levels for Australian interests in the mining sector be raised to 51 per cent has not been undertaken by the Government with the existing level of 50 per cent maximum foreign participation being retained. The Government decided in favour of admitting foreign banks into the trading bank sector of the economy and exerted significant pressure upon the Party to successfully change Platform policy at the 1984 ALP National Conference in order to sustain this policy initiative by the Government [26]. In 1986, faced with severe pressure upon the Australian Dollar, the Hawke Government relaxed taxation and foreign investment regulations further in order to facilitate continued capital inflows into Australia. The Government was, therefore, "dovish on multinationals" and did not implement a set of policies directed towards multinationals in particular. With regard to the traditional requirements of industrial development policy - the provision of venture capital and know-how - the Government pursued a non-discriminatory policy regime whereby economic growth through an external re-orientation of the domestic production structure was emphasised. Multinationals

How relaxed are the controls on foreign investors?
...we had to forgo on the 'no rape, loot and pillage' clause...
INCENTIVES
KNIGHT

were regarded as a composite part of this overall strategy rather than a distinctive policy area. This strategy reflects the Crawford Report's conclusion that adjustment difficulties "arise when the economy is unable to sustain changes in its industrial structure with little or no disruption" [27]. The central Government objective was, therefore, the achievement of economic growth as a prerequisite for successful adjustment in the economy to a more integrated relationship with the international economy.

This Government strategy has two central features (1) capital policy and (2) industrial development policy. An adequate provision of capital and conducive environment for its mobility is a primary objective of the Australian Government in its attempts to facilitate adjustment. As noted above, successive Australian Governments have turned to external sources of capital to augment domestic stocks of productive capital. Capital policy under Labor has maintained the "bipartisanship" between Labor and the Liberal and National parties on foreign investment and corporate operations. Labor Treasurer Keating founded his capital policy upon "twin pillars", first:

> a recognition [of the] significant contribution that foreign capital can make to the development of Australia's industries and resources. By providing access to additional overseas resources, foreign investment provides scope for rates of growth in economic activity and employment to be higher than would otherwise be the case [29]

and second:

> economic benefits of foreign investment have to be balanced against the recognition of continuing community concerns that the degree of foreign ownership and control should be kept within reasonable bounds. The second important pillar of policy is thus the affording of adequate opportunities for Australians to participate in the development of our industries and resources [29]

New inward direct investment and takeovers were to be evaluated by the Government against the background of the "pillars" and the specifics of a provision of "net economic benefits", an "opportunities test" whereby the Government was to be satisfied that adequate opportunities for Australian comparative proposals had been made, and that opportunities for Australian equity participation had been provided. In August 1986, takeovers in the manufacturing sector became automatic except where the national interest was deemed to be directly compromised and the need to prove net economic benefits and Australian 'opportunity' was dropped. The approach adopted by the Labor Government to the screening process for direct investment flows had been subject to the criticism from some observers that the process was "implicitly hostile ... bureaucratic and difficult to verify or advise" [30]. However, although a number of significant investment proposals were challenged once Labor entered Office, it was said to have been largely attributable to a 'bunching' of proposals inconsistent with the published guidelines and to a tightening of policy in respect to the real estate/ property industry. The capital policy under Labor was, therefore, a continuation of the established approach of previous Governments.

Industrial development policy was defined by the Crawford Committee as "a set of incentives for encouraging industry to become more competitive against imports and more export-oriented" [31]. The most obvious way in which Government can promote these goals is through financial outlays. In 1984-85, Government assistance to industry was estimated at $A1,052.7 million with assistance to manufacturing accounting for $A 286.8 million. The provision of incentives for industrial research and development amounted to $A 67.5 million

in 1984-85. CSIRO had a budget addition of $A 4 million for R&D with commercial application. $A 2 million was provided in the 1983-84 budget for a nation-wide advisory service on computer-assisted design and manufacture (CADCAM) known as MASCAM and the revised motor vehicles manufacturing plan post-1984 arrangements provided for $A 150 million for local research and design. The biotechnology research grants scheme was budgeted at $A 2.2 million in 1984-85. In 1985, following an election commitment, the Government announced that 150 per cent of IR&D expenditures would be deductable against income for taxation purposes. Educational reviews under the auspices of CTEC and the Karmel Inquiry were instigated to investigate technological change and the educational provisions made for it. Finally, the Government signalled its perception of the entwined nature of technology and industrial development by transferring the Technology portfolio to the Department of Industry and Commerce at the end of 1984.

Export promotion was centred upon the provision of additional funds to the Export Markets Development grants Scheme (EMDG) whereby a grants rate of 70 per cent of eligible expenditure with an annual grant ceiling of a claimant at $A 200,000 and travel expenses of up to $A 50 per day for up to ten days for each export promotion being made available. The EMDG increased by $A 20 million over the the 1983-84/ 1984-85 period. Total assistance from Government to export industries amounted to $A 233.8 million for 1984-85 period. Trade promotion experienced experienced a 36 per cent increase during 1984-85. To emphasise and facilitate the renewed stress of policy upon export-oriented growth, the Department of Trade was re-organised with a manufacturing industry division created and the adoption of a "target-orientated, bilateral approach". This re-organisation involved a re-direction of the Trade Commissioner Service

with a targeting towards key markets such as China, Japan, the Middle East and South-East Asia [32].

Specific industry assistance formed an important dimension of this industrial strategy with arrangements made for the steel, motor vehicles, aerospace, biotechnological and information industries. In facing the difficulties associated with structural adjustment, the Government was required to respond to the needs of declining and emergent industries. Whilst support for the ascendent middle and high technology industries is understandable in terms of the IR&D and trade promotion dimensions of expansion, the requirements of declining industries reflect the costs of change. The policies of the Labor Government, with respect to the latter industries, reflect the view that "where necessary [the Government will] support by subsidy or trade protection, industries at levels of activity which the government determines are in the national interest while seeking over the longer term a reduction in the dependence of such industries on this support". In practice, this means the formulation of "special plans for certain manufacturing industries which are large employers of labour either nationally or locally" [33]. For example, steel industry bounties increased from 1981-82 levels of $A 1.0 million to $A 10.9 million in 1983-84 and to an estimated level of SA 52 million for 1984-85; an overall increase for the period of 375 per cent. The overall thrust of industry policy, however, is that of an external re-direction of production and the gradual reduction in protection. In seeking to pursue this objective the Government is reflecting in its policy perspective the complex interplay of interest group pressures and government responses.

The departure point for the following discussion of economic management in Australia is the recognition of the "uncertainty, complexity, and intermittent activity of policy-making, the diversity of influences making it and the fragmentation of institutions" [34]. The formal industry policy formulation structure is complex. During the course of the Hawke Labor Government, executive decision-making authority continued to reside with Cabinet and the Standing Cabinet sub-committees on Economic Policy and Industry. However, an additional 'ad hoc' Industry Re-Structuring Committee was established during 1983-84 to facilitate policy initiatives and coordination. Beyond Cabinet is the network of administrative departments. The principal departments are the triad of the Department of Industry, Technology amnd Commerce, the Department of Trade, and the Treasury. Other interested departments providing important policy inputs are those of the departments of Employment and Industrial Relations, Resources and Energy, Primary Industry, Foreign Affairs, and Prime Minister and Cabinet. Departments gain policy inputs from networks of advisory councils. Important to industry policy are councils tied to the Department of Industry, Technology and Commerce such as the Australian Manufacturing Council and eleven industry-specific councils. Associated with the Department of Special Minister of State is the Economic Planning Advisory Council (EPAC) established following the National Economic Summit sponsored by the incoming Labor Government and held in April 1983. The extended policy environment involves inputs from Parliamentary committees and backbenchers, the States' political and administrative leadership through forum such as the the Australian Industry technology Council tied to the Department of Industry, Technology and Commerce and the political parties themselves. The ALP provides inputs through the Party Platform determined by National Conference, the National Executive and importantly, from Caucus. Parliamentary Caucus provides an important source of

influence upon industry policy through its Economic Policy and Industry Committees and its sub-committees on Metals and Manufacturing, Industry Financing, and New Industries and Offsets. This extensive policy environment opens the formulation process up to the broad sweep of societal pressures upon economic resources inherent in the Australian political culture.

Under Labor, the formulation of industry policy has distinctive character due to a 'corporatist' approach to policy-making. This form of economic management shares decision-making authority among a narrowly-defined matrix of societal interests; and effectively 'ties in' potentially dissenting groups to "concensus" policies ("co-option through participation"). Corporatism under Labor involves decision-making being "authoritarian with the authority narrowly shared" among the key interest groups in the economy: Government, organised labour (the ACTU), and business representative groups (CAI, BCA, AIDA). Prime Minister Hawke, by "formally conceding some share of the Government's authority to those to whom he could not have denied all authority" sought to extend governmental influence over the policy perspectives of these key economic groups. It is suggested by some observers that this privileged access to policy-making was successful because it "massages the egos of business and trade union leadership" and "offers real opportunities to protect their own interests to those on the inside. Opportunities, which in a world where people compete for resources and influence, cannot but be taken at some cost to those on the outside" [35]. To West, corporatism under Labor represented nothing less than a "revolution in Australian Politics" [36].

Corporatism under Labor is a response to the particular pattern of pressures arising from the interplay of interest groups which, in turn, reflects the pressures of the adjustment process. In particular, corporatism reflects the rise to prominence within the ALP and the Labor Ministry of a group of political leaders described by one observer as "the new pragmatists" and associated with the rise of Hawke to the leadership of the Parliamentary Party [37].

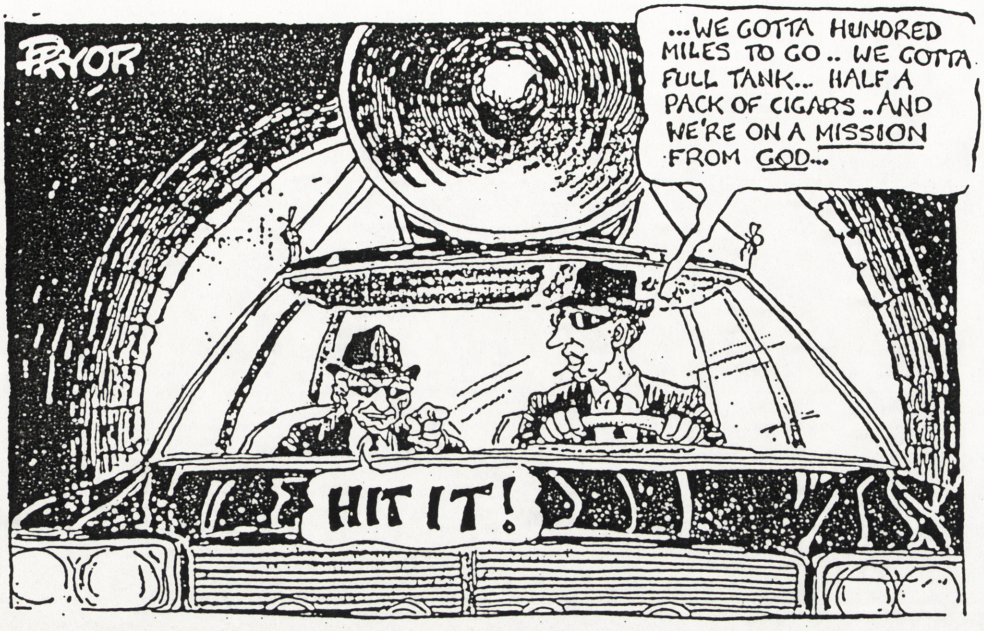
Central to the pre-eminence of the 'new pragmatists' is the "Hawke Ascendency". Although, like many Governments, Australian Governments are frequently characterised by Prime Ministerial personality, the Labor Government particularly is associated with the style, ideas and personal fortunes of its leader, R.J.Hawke. Elected to Government in 1983 on the basis of a campaign focused upon the personality of Hawke, the image, administrative approach and electoral standing of the Government are inextricably linked to this enigmatic and populist figure. In a perceptive study, Haupt and Gratten argue that Hawke's ideological perspective is "a natural extension of his personality". Described as a man of "imaginative sympathy", Hawke's career has been "built on persuasion [and] his skills are the advocates, his platform the most public" [38]. Thus, Hawke's successful incumbency of the ACTU Presidency and ALP Presidency and his prior involvement in the Arbitration Court, is a reflection of, and reinforcement to, his personality-derived ideology because

> he has been so successful in making people change their minds, he inevitably sees the solution to social and economic problems in terms of achieving a concensus and indeed selects his issues for susceptibility to concensus [39]

Principal members of the 'new pragmatists' are said to have included Senator John Button, Paul Keating, John Dawkins, the then ALP President and NSW Premier Neville Wran, influential backbencher Senator Graham Richardson, ALP National Secretary Bob McMullen, and Hawke 'staffers' Bob Hogg and Peter Barron (Barron and Hogg left Hawke's staff in 1986). The distinctive approach of this group is claimed to be derived from a so-called "Wran model" of ALP electoral and governmental success in NSW: a popular (and populist) parliamentary leader, a low profile ministry, a gradual and careful approach to policy implementation, policy decisions taken by a small group of senior people, and a leadership supported by "organisational troubleshooters". The kernel of the pragmatic approach is a commitment to "being in and staying in office" [40]. The policy approach of the Hawke Ministry places it on the centreground of the Australian political spectrum in order "to reassure what it sees as a timid electorate of the legitimacy and safety of a 1980s Labor Government" whereas "Whitlam's Ministers were eager to win government in order to get things done, Hawke's wanted it in order to put on a display of administrative competence and prudence which would give Labor its first long period in national office" [41].

Whilst there is substance to the argument that the success of the pragmatic approach to policy-making within the Labor Government lay in their capacity to substitute means for ends as the central focus of the ALP, it is clear that the pragmatism of these decision-makers is based upon an adherence to economic efficiency, stability, equity and freedom of choice.

Industrial efficiency is defined as the achievement of "a balanced production that will obtain a high level return from every input of human effort, from every piece of equipment, and from every unit of raw materials"



Source: The Canberra Times

[42]. In respect to this value, the Government sought to ensure that Australia would be "more careful than in the past to allocate resources to their most productive uses" [43]. To be effective, productive resource allocation during a period of significant economic change requires the provision of a degree of stability. Policy must, therefore, "hasten slowly" according to Senator Button. Policy was to be aimed at addressing and minimising the costs of the "painful processes of adjustment, as well as adjustment failures and missed opportunities". Consensus within a context of corporatism sought to establish a "shared interest" in change and the nature of adjustment. Thus, information collection and sharing is an important requirement in the achievement of orderliness in industrial development. Noting that economic disruption has been partly attributable to an "absence of soundly-based forward projections of economic and industrial trends", the Government sought to use forum such as the EPAC, AMC, and various industry councils to provide "authoritative statement[s] of trends". The achievement of such an understanding of change and adjustment, it was hoped, would help to overcome the obstructive impact of the inertial factors [of] complacency, fear and inadequacy" among parts of the community affected by change and adjustment. Efficient resource allocation and orderliness are open to disruption from sectoral intransigence arising from an inequitable distribution of the costs and benefits associated with the adjustment process. Thus, the third value identifiable with Government decision-makers is that of "an equitable distribution of the benefits of growth" and the ensuring that "those at the face of change are not asked to bear the costs alone" [44]. It was noted above that the Government held to the aspiration that majority ownership and control of Australian resources should lie with Australians. Button identified one of the problems of economic adjustment during the 1970s in Australia as being the continued reliance upon borrowed technology "both in

respect of the way output was produced, and in determining the products that would be produced" [45]. Independence with respect to industrial development, however, recognised the "fundamental constraints" on the Australian economy and was limited briefly to the "opportunities test" for foreign investment proposals, proscribed sectors of the economy, and the encouragement of an increase in domestic IR&D to achieve greater technological discretion.

These values lie at the heart of the perspectives that the main decision-makers bring to bear upon economic and industrial policies and the role of multinationals therein. However, the ascendency of political leaders sharing these values does not, in itself, sufficiently explain the formulation of an explicitly externally-oriented policy regime for industrial development and moderate attitude towards multinationals. A further factor for consideration is that of a co-incidence of interests of powerful economic groups favourably-inclined towards greater import competition and export-led growth and to a more liberalised economic policy system in Australia.

The rise of the 'pragmatists' within the ALP reflects factional changes within the Party during the 1970s and 1980s. a faction has been defined as "a group of individuals based on representatives in Parliament who seek to further a broad range of policies through consciously organised political activity" [46]. The changing pattern of factional politics within the ALP has seen an increase in the relative position and influence of moderates as a result of fragmentation among the more radical factions. Such fragmentation has increased during the period of the Labor Government with the formation of the Centre Unity faction and with the increased importance of the Independent faction associated with Senator Button. Overall, the representation of moderate factions in the Labor

Government and in the key economic portfolios represents a major source of support for the re-orientation of the Australian manufacturing sector towards external markets and for a non-discriminatary policy regime towards multinationals.

Business is cautiously in favour of a re-orientation of industry policy although a pre-requisite is held to be sustained growth in order to provide a stable environment for the gradual reduction in protection. Lloyd Zampatti has argued that industry policy should aim at "attaining defensive competitive advantage in export industries", although John Uhrig suggests that Australia "should be proceeding continuously but without undue haste towards lower protection for industry as a whole" [47]. However, the achievement of an internal consistency and consensus upon industry policy by business has been hindered by the fragmented nature of the organised representational framework wherein policy perspectives are formulated, and by the internal dissentions over the attitude to be adopted over the extent of governmental involvement in the economy and the question of protection for specific industries. Business is represented in national affairs by a number of organisations, two of which appear to seek to be considered the principal 'peak association' for the business community: the CAI and the BCA. Despite its problems of diversity, the business community has gradually moved to a position in support of a gradual overall reduction in protection, a need to assist particular industries experiencing difficulties and for the need of industry to become export-oriented to a much greater degree.

During the 1980s, the Labour Movement in Australia, as represented by the ACTU, has been in support of a dynamic and comprehensive industrial development

policy [48]. This takes practical form in the provision of a broad consultation process, a planning process including all industrial sectors and an integrated consideration of short, medium and long-term developments in industry. Although still viewed with suspicion by the union movement, multinationals tend to be considered in the same way as by the ALP. However, important unions such as the MTWU still identify multinationals as central factors in the run-down of their industries in Australia through transfers of operation to other parts of the corporate network [49]. The position of the ACTU, however, reflects an acknowledgement of a need for adjustment to change and for a role, if somewhat circumscribed, for multinationals.

A further policy input is that of the governmental bureaucracy. Hawker et al. argue that "to disregard the crucial roles that institutions play in transforming ideas into policy or in manipulating the environment to their own advantage would be as foolish as to disregard the importance of individuals as they jostle for advantage" [50]. Within the context of 'departmentalism', the dynamic pattern of competitive and cooperative intra- and inter-departmental relationships, industry policy formulation involves a coalition of departmental interests between the Departments of Industry, Technology and Commerce, Trade, Treasury and Employment and Industrial Relations. Coalescence has taken place around the 'departmental line' of the Department of Industry, Technology and Commerce during the course of the Hawke Government. This policy line, coordinated through the Cabinet Sub-committee on Industry Re-Structuring, is designed to achieve "a coordinated marketing, management, and export push coupled with integrated technology ... to update the aging industrial base. The personal commitment of John Button to the achievement of the adopted industry policy was central to its adoption. Button promoted this policy line through his

seniority in the Government, the importance of his portfolio, his chairmanship of the CCIR and the AMC, his influential role in the ALP factional power structure and the generally sympathetic attitude of Ministers holding the other key economic portfolios. Moreover, the adoption of this policy line was facilitated by the Department of Industry, Technology and Commerce's constancy of function, clarity of operational boundaries and constancy of perspective. These features acted to minimise administrative and policy confusion at the margins of inter-departmental responsibility.

The industry policy line of Industry, Technology and Commerce moved from a supportive position for import-substitution strategies during the 1960s and early 1970s to the more balanced line of the 1970s and 1980s. This movement reflected the impact of the pressures upon the department derived from the extended decision-making environment of associations, advisory councils and interest groups forming the particular 'constituency' of this department. With the emergence of re-structuring pressures during the mid-1970s, the department was faced with the need to balance the demands for assistance from established, but declining, industries with the need to nurture emergent industries. Policy rejuvenation in the Federal Government was aided by the changing climate of opinion or 'atmosphere' of policy-making. This was coloured by such reports as that of the Crawford Committee that built upon earlier Jackson and Vernon Reports and together argued for lower protectionism and recommended that import-competitive export-oriented industry was required to ensure sound industrial development. Button noted that their recommendations "were particularly important because the tripartite nature of these committees meant that the reports represented a real consensus of views" [51]. Moreover, with Labor in power in four of the six Australian States, a generally-favourable

political environment supported the industry policy adopted by the Federal Government. Victoria, with its use of the Federal Government's Management and Investment Company (MIC scheme) and the VEDC, has sought to tackle the State-level difficulties of structural change adjustment. Although more interventionist than its federal counterpart, the Victorian Labor Government's strategy provided a lead to other Labor Governments in the Commonwealth.

The impact of policy change carries significant consequences for the multinational corporate subsidiaries. Import-substitution policies largely induced these corporations to establish their facilities in Australia. The policy was successful in attracting the capital and know-how of these firms and helped to promote local industry ad employment. These 'tariff factories' were domestically-oriented and heavily dependent upon the maintenance of protectionist measures for their long-term viability as domestic economic expansion slowed. This policy regime has offered little incentive for these corporations to act as multi-nationals in the sense of highly integrated units within the world-wide corporate structure. Despite important impacts upon cross-border transactions, these enterprises have largely retained an Australian market focus. The protectionist policy regime effectively acted as a 'gatekeeper' on behalf of the government and prevented any large degree of multinational corporate integration across Australian national borders. This condition could be sustained whilst multinational corporate strategies remained at a stage of 'defensive' expansionism. However, as domestic market saturation eventuated and multinational strategies became based upon globalised specialist production involving a new intra-corporate division of labour, pressures for change in policy increased as industrial decline became sustained during the 1970s and 1980s.

Manufacturing multinationals in Australia, facing these changes, responded by rationalising domestic operations and arguing for more effective protection if the import-substitution policy structure was to be retained by Australian Governments. However, the corporations were willing to countenance a gradual dismantling of protectionism and the opportunity to coordinate their corporate development with their external corporate infrastructures as long as Government policy provided for gradual change, consistency, and continuity in application. Clearly, such a policy direction is consistent with the basic interests of the multinational corporations and thus elicited their support. The policy change by Labor was not novel insofar as the Fraser Liberal-National Coalition Governments (1975-1983) also attempted to address the problem in this fashion. However, a relative clarity of Government objectives and a consensus among key economic groups was required to facilitate such change and this condition did not prevail until the Labor Government had already entered Office in 1983. The ensuing policy regime offered multinationals a context of government policy stability and direction within which corporate and host government interests could be met within a rapidly changing industrial environment.

CHAPTER FOUR

MULTINATIONALS, INTERDEPENDENCE AND AUSTRALIAN GOVERNMENT POLICY-MAKING

The following analysis examines the Australian Government-multinational corporation relationships with respect to the impact of the pattern of interdependent relations to which the respective actors are party. The discussion thus compliments the foregoing analysis which focused upon the domestic factors associated with host government-multinational relations. The analysis below seeks to evaluate, in the light of Australian experience, the proposition advanced by Bennett and Sharpe that "relationships of dependence and interdependence in which the the actors are meshed affect the choice of their possessions and attributes that may serve as power resources in a particular conflict [although] other relationships may serve to limit the actors' freedom to commit or withhold their resources at will" [1]. Northedge defines interdependence as "involving pluridimensional, multisectorial patterns of interactions between nations and resulting in enhanced mutual sensitivity or vulnerability" and becomes operational when "political actors perceive their actions to be mutually contingent and governed by reciprocity" [2].

The analysis focuses, in particular, upon Australia's relations with the United States and Japan. This focus reflects an assumption that, although Australia maintains important relations with a number of countries, these two countries are of particular significance with respect to DFI and multinational corporations in Australia. Unlike the United Kingdom (which accounted for almost 13 per cent of manufacturing DFI in Australia in 1983-84), the United States and Japan arouse distinct feelings of ambiguity and, on occasion,

hostility within the Australian community with regard to the DFI and multinationals originating in these two countries and entering Australia. In part, these feelings can be attributed to the size and scope of the corporate investment and operations, the rapid rate of increase in their participation in the Australian economy in the post-war years, and the higher profiles of the corporations in the consciousness of the Australian community. In part, these feelings can be attributed to a xenophobic national character trait associated with the historical development of Australia. However, a further factor is important in distinguishing these two countries as being of particular significance within the context of this study. In the post-1943 period, Australia's external relations have focused to an ever-smaller degree upon the traditional relationship with Britain and have increasingly been concerned with relations with the United States and Japan. This development results from military, economic, and political necessity and, in addition, an increasingly strident independent national consciousness. Thus, the following analysis is concerned with the role of the respective national and corporate actors in the international system, the pattern of interdependent relationships associated with these roles, and the implications of these roles and patterns of interdependence upon the relations between the respective actors.

1. United States and Japanese Multinationals and Australia

Although United States corporate involvement in Australia was well-established prior to World-War Two, it was not until the post-1945 period that a rapid and broad-based expansion of United States corporate activities began. Japan's corporate expansion in Australia is more recent than that of the United

States' firms with the former's 'take-off' stage dates from the late 1960s (Table 4.1).

2. The International Political Economy

The central feature of the international political economy is the pattern of relationships derived from the distribution of power and authority in the system. The system is a dynamic organic entity. Change is a central characteristic of the system and is intrinsic to the shifting patterns of power and authority relationships. These patterns of power and authority relationships are characterised by two main features: (1) multipolarity and (2) interdependence. Multinational corporations, as a consequence of their fragmentation of systemic power and binding together of national economies within their corporate networks, both reflect and contribute to the pluralism and interdependence of the international political economy.

Multipolarity refers to a condition in an international polyarchy of shared authority and diffused power in the exercise of influence over the allocation of available resources. In the 1980s, the principal loci of such authority and power are the United States, Japan, the European Communities and the NICs of South-East Asia and South America. Of particular importance are the United States and Japan. Table 4.2 indicates the importance of these economies to world production, trade and investment.

Whilst the United States is held, in theory and practice, to be an economic, political and military superpower' and Japan an economic and increasingly a political (and possibly a future military) superpower, Australia

is perceived domestically and externally to be a 'middle power' in the hierarchical 'pecking order' in the world of States. Northedge identifies three qualifying characteristics used to determine a middle ranking power in the international States system: measurable strength, the scope of systemic interests, and the international recognition of such status [3]. On the basis of these criteria, Australia would be recognised as possessing a level of strength commensurate with a limited scope of systemic influence by other actors in the system. Table 4.3 outlines various characteristics of these countries.

The central feature of the international political system during the post-war period is the perception of the United States as experiencing a relative decline and Japan a rapid ascendency. Although the debate over the authenticity of the proposition that the United States is in relative decline continues to excite attention, the rise of new centres of international influence such as Japan and the need for the United States to accommodate these centres to a greater degree in its international policies and actions is, perhaps, less in dispute. To examine the relationship between Australian Governments and multinationals from these countries, it is necessary to examine the pattern of relations between the United States and Japan and between these countries and Australia.

The period from 1944-71 can be regarded as forming a truly "hegemonic moment" for the United States in the international system insofar as its systemic position conformed to Weber's definition of such a condition as existing when a State is "simultaneously supreme in the areas of production, commerce, finance, and political leadership" [4]. Francis Perroux, writing in 1948, characterised the American economy as a "l'economie dominante" since "its

every action affected the rest of the world, but it was not in turn called upon to react to events outside" [5]. By 1979, however, the "imperious economy" had reached a condition where one leading American observer was able to argue that even the United States " cannot go it alone in the last quarter of the twentieth century" [6].

As Table 4.4 indicates, in 1960, the United States accounted for a sizable proportion of world GDP and exhibited among the highest levels of per capita growth, industrial production and exports. Inflation and unemployment were among the lowest in the world. The United States' actions reflected its newly-acquired supremacy. Contributions from the United States to UNRRA, its loans to Britain, and Marshall Aid expenditures signalled the country's acceptance of its position. This position was further exhibited in the formation of the post-war economic infrastructure and symbolised by Dollar convertability. Politically, the United States sought to counter a perceived communist threat by defending the economic and political viability of strategically important countries such as Greece, Turkey and Iran as well as the territory of West Berlin in the immediate post-war years. 'Containment' led to further interventions in Korea and Vietnam. Supremacy incurred military preparedness. In 1949, United States defence expenditure was $US 57.6 million and by 1953 totalled $US 2,615 million. United States military grants overseas increased from $US 211 million in 1949 to $US 4,176 million in 1953.

The United States' "hegemonic moment" was underpinned by a domestic consensus of interests upon international politico-economic policy concerns. Policy goals focused upon (a) the maintenance of domestic prosperity (b) national independence and (c) national security. According to Kudrle and Bobrow,

these policy objectives became an "independent ideological perspective" that conditioned decision-making for the period of the United States' pre-eminence and which was designed to achieve "an open international economy, the maintenance of a framework to promote orderly dealing and to avoid international economic conflict; the bonding of allies and clients in a formal or informal anti-Soviet coalition; and the isolation and denial of economic benefits to hostile governments" [7].

Malmgren, however, notes that the actual translation of this perspective into practice has been characterised by an "uncertain pattern of pragmatism" arising from a "schizophrenic" alternation between isolationism and internationalism as the hegemon exercised the "luxury of inattention" to international economic affairs when domestic matters became important political issues" [8]. Both Malmgren and Pastor identify the policy regime pertaining to United States' direct foreign investment as suffering from these basic policy tensions and as being characterised by "gross inconsistency, fragmentation of responsibility and a total absence of conceptual clarity" attributable partly to the dispersed responsibility accorded to over sixty decision-making centres [9]. The "hegemonic moment" saw a coincidence of political and military supremacy with corporate overseas expansion. Gilpin argues that

> American political and military supremacy after World War II was a necessary precondition for the predominant position of American multinationals in the world arena. But the reciprocal of this is also true: corporate expansionism in turn became a support of America's international political and military position [10]

During the period of the "hegemonic moment", the multinational phenomenon was overwhelmingly American in complexion. As Table 4.5 shows, United States'

direct investment increased substantially and the share of world stocks of DFI rose to 50 per cent. Between 1950 and 1960 the number of American corporate subsidiaries increased from 7,000 to 23,000. In 1971, American multinationals accounted for 15 per cent of world output.

American corporate involvement in Australia reflected the rapid global expansion of United States' corporations during the 1950s and 1960s. In 1946, Australia experienced its first broad-based entry of American enterprise with the establishment of local operations by twenty American manufacturing concerns [11]. Between 1950 and 1967, United States' DFI into Australia increased by 1071 per cent compared to a world-wide increase of 403 per cent(Table 4.6) [12].

Australia was a particularly attractive outlet for United States' DFI and corporate expansion for a number of tangible and intangible reasons: (1) "postwar surging economic growth, income diversification, and rising industrial output due to a population advance through a large-scale immigration program, all resulted in a mass consumption market"; (2) "a per capita income that ranked only after those of the United States and Canada"; (3)"a stable economic and political climate provided a safe strategic position from which to pursue Asian markets and to obtain high capital returns on investments" and (4) government policies "which offered tariff protection for new industries, special tax incentives, the absence of capital gains levies, and freedom of remittance for dividends and royalties" [13]. However, according to Cuddy, American enterprises were encouraged to invest in the Australian economy for additional reasons more particular to American corporate interests:

> many American executives feared that, should they not expand, their competitors in the United States would become too powerfull internationally; also, they realised by 1964 that a large

> growth in sales could only be found abroad, not in the relatively saturated American market. ... American businessmen ... discovered marketing in Australia to be similar to that of the United States. Language, legal and political systems, a high and rising standard of living, and particularly an enthusiasm for things American, all have made Australia quite suitable in the past for the formulation of business enterprises [14]

In 1945, Japan was suffering the consequences of the years of war and of defeat. 25 per cent of Japan's total national wealth (assets), 35 per cent of industrial machinery and tools, and 81 per cent of shipping had been destroyed. 700,000 civilians and 1.3 million military personnel had perished during the Pacific conflict. Japan was desperately short of foreign exchange, ravaged by inflation, occupied by victorious Allied Powers (mainly American), and experiencing a dissolution of the great industrial combines (Zaibatzu). From 1946 to 1951, 71 per cent of all national funds in Japan derived from external sources. In the initial postwar years, with Japan's internal problems predominant in national decision-making forum and with international hostility and suspicion strong, Japan's preoccupation was necessarily domestic. By the 1970s, however, it was possible for observers to accord Japan the sobriquets "No.1" and "economic superstate". Japan's status is symbolised in the country's membership of GATT and the OECD, the presence of Japanese leaders at the major international forum and the 'club' of economic summiteers from 'western' developed countries and the emergence of Japanese corporations and/or their brand names as household names around the world (Table 4.7).

Japan's ascendency rests upon its economic renaissance. Rosovsky argues that this renaissance has taken place because the "Japanese have succeeded in squeezing more output out of every unit of input than at any other time in their modern development" [15]. Rosovsky suggests eight main contributary

factors in Japan's economic resurgence: (1) a massive inflow of foreign technology (2) the high levels and growth of investment (3) investments were directed to productive uses reflecting high levels of returns obtainable from such investments (4) favourable industrial relations and elastic labour supply during the 1950s (5) the facilitative role of government (6) the high savings levels of the Japanese people available for investment (7) export promotion and (8) a burst of entrepreneurial energy resulting from a postwar emergence of "a new and vital entrepreneurial class [that] has served Japan brilliantly ever since" [16].

Additional factors can be cited: moral education (dotoku); national homogeneity (kokumin-shugi); working practices such as the 'seniority' wage system (nenko) and 'life-time employment; the reformist impact of the post-war American occupationaires based in "ma shireibu" (SCAP Headquarters); political stability provided by the almost constant post-1955 incumbency in government by the Liberal Democratic Party (Jiyu-Minshuto); low military expenditure (in GNP terms); and the unexpected spur to the economy provided by the United States/ United Nations procurements for the Korean War and by the United States for the Vietnam conflict.

The post-war normalisation of Australian relations with Japan has reflected a mixture of reticence and necessity. Although Australia was one of the signatories of the Treaty of Peace with Japan (September 8th, 1951), restored full diplomatic relations the following year and concluded a major bilateral trade treaty in 1957, it was not until 1976 that a Basic Treaty of Friendship and Cooperation was concluded. As Japanese economic recovery began to gather pace during the 1960s and 1970s, criticism within Australia was

directed towards the policy-perspectives governing Australia's relations with Japan:

> Because we lack a rational and thorough approach to Japan, old and out-dated attitudes persist. Caution, suspicion, and reserve are still the hallmarks of Australia's approach to Japan and outright discrimination - in our immigration regulations, in tariffs, in the attitudes of many business leaders and in deeprooted psychological attitudes - are certainly not uncommon [17]

In October 1972, the first Ministerial Meeting between Australia and Japan elicited further press comment upon the "cautious, even negative approach" of the Australian representatives [18]. However, in 1973, the Government published the report of its Inter-departmental Committee on Japan and from this report stemmed significant administrative and diplomatic changes to take greater account of the importance of Japan to Australia.

Economic pressures upon Australia arising from Japan's rapid resurgence in the international economy, indicated in Table 4.8, necessitated political rapprochement between the two countries. The key to the nature of the political economy of Australia-Japan relations lies in the dualistic nature of the Japanese economy, the complexion of industrial policies adopted by successive Japanese Governments, and the multinationalisation of Japanese corporations. Contrary to the widely-held belief that the Japanese economy is predominantly one of large industrial combines, 'dualism' is a more accurate description. This latter term refers to "the simultaneous presence of a modern, efficient, large-scale, high-wage sector and of a host of small, labour-intensive, low-wage firms, both sets of enterprises co-existing ... within the same industrial branches" [19]. Available evidence suggests that the dimensions of these sectors is in the order of 30 and 70 per cent of the economy for the large and medium-

small sectors respectively. This dualism in the Japanese economy acts as an important 'push' factor in Japan's economic expansion overseas as labour-intensive, 'senile' industries and production segments respond to declining comparative advantages by relocating outside Japan.

The objectives of Japan's industry policy have remained constant over the post-war period: (1) increased industrial production (shokusan kogyo) (2) expansion of industrial capacity (seisanryoku kakuju) (3) promotion of exports (yushutsu shinko) (4) full employment (kanzen koyo) and (5) high-speed growth (kodo seicho). However, whilst the 'ends' of policy have remained constant, the 'means' for their attainment have changed over time. Takashi Hosomi and Ariyoshi Okumura identify four periods in the post-war development of Japan's industry policy: (1) 1946-55 (the 'restoration' period) (2) 1956-65 (the 'up-grading' period) (3) 1966-75 (the 'liberalisation' period) (4) 1976- (the 'internationalisation' period [20].

According to Johnson, central to industry policy throughout these periods has been its "developmental" nature, that is, it "sets socio-economic goals" and determines those industries that should exist and those that should be dispensed with. Although Japan's industry policy comprises both "industrial rationalisation policy" (sangyo gorika saisaku) and "industrial structure policy" (sangyo kozo seisaku), it is the latter that carries particular significance for the emergence of substantial Japanese FDI and multinationalisation of corporations.

Industrial structure policy, in Johnson's definition, refers to

> the proportions of agriculture, mining, manufacture, and services in a nation's total production and within manufacturing. It concerns percentages of light and heavy, and of labour-intensive and knowledge-intensive industries. The application of policy comes in the government's attempts to change these proportions in ways deemed advantageous to the nation. The heart of the policy is the selection of the strategic industries to be developed or converted to other lines of work [21]

A key element in this industrial structure policy is the "housecleaning" process of structural adjustment involving the relocation of 'senile' industries to overseas economies by means of multinationalised corporate strategies. In Ozawa's phrase, Japanese DFI became a "national desideratum" in the context of industry policy directed towards (1) the growing corporate disadvantages of the labour-intensive, small-scale sector and part of the capital-intensive sector of the 'dual economy' and (2) the achievement of overall policy goals. In MITI terminology, the 'housecleaning' analogy gives way to imagery wherein the strategy is described as "progressively giving away industries to other countries, much as a brother gives his out-grown clothes to his younger brother" [22].

Ozawa identifies three phases in Japanese DFI development: (1) 1951-67 (2) 1968-73 and (3) post-1973 [23]. The initial phase saw only a minimum of Japanese DFI as a consequence of severe post-war foreign exchange shortages and consequential government restrictions upon such transactions embodied in the 1949 Foreign Exchange Control Law. Where Japanese DFI did flow, its primary function was to re-establish a basis for exportation or for a renewal of access to vital raw materials (Table 4.9) [24].

Over this initial developmental period, as Hosomi and Okumura note, Japan's economy was essentially one of 'workshop-processing' wherein imported raw materials were processed into manufactured products for the domestic market and for export (thereby earning much-needed foreign exchange to pat for vital imports) [25]. By means of a series of national economic plans [26], a government-bureaucracy-business coalition of interests sought to move the Japanese industrial base away from light manufactures towards heavy industrial production such as shipbuilding, steel, motor vehicles and engineering. Pressure to rationalise existing production, to promote industrial adjustment to new capital-intensive industries and to relocate light-medium manufacturing facilities was spurred-on by a growing shortage of labour, consequential increases in the price of labour and, by the 1960s, a growing surplus of capital. The growing uncompetitiveness of the light-medium manufacturing sector in export markets coincided at the end of the period with attempts by South-East Asian governments to attract Japanese DFI and technology as Japanese production relocation began to increase [27].

The second phase (1968-73) of Japanese DFI development saw a significant rise in the value of DFI stocks over this period (see Table 4.9). This phase was characterised by strong balance of payments and substantial foreign exchange reserves. October 1969 saw the relaxation of Japanese Government foreign investment restrictions with the allowance of automatic approval for projects less than $US 200,000. Further de-regulation took place in September 1970 and July 1971 effectively ending foreign exchange controls. The abrupt end to Dollar Convertibility in August 1971 saw a floating Yen appreciate rapidly and Japanese foreign exchange reserves rise substantially. The appreciation spurred Japanese DFI by significantly reducing the cost of relocating production

overseas. As domestic re-structuring continued apace, the relocation of light industries overseas was encouraged by the large trading companies (Sogo Shosha) and by the Japanese Government itself.

In the early years of the 1970s, with the Japanese economy more firmly based upon heavy manufactures and high growth rates being recorded, the need for raw materials supply of a secure and reliable nature prompted the Japanese Government to undertake 'resources diplomacy'. This strategy sought to ensure that Japanese DFI in 'sourcing' countries such as Australia was to be actively encouraged whilst at the same time promoting a diversification of sources to ensure that Japan's dependence upon any one source did not surpass 40 per cent of requirements. A greater emphasis would be placed upon processing in the country of supply in order to meet both domestic demands for environmental protection and external demands for a greater share in the economic rent accruing from the exploitation of their resources [28]. The years 1972 and 1973 saw Japanese DFI growth rates of 52 per cent and 51 per cent respectively (Table 4.9). Mining accounted for the largest share of these DFI outflows and the principal recipient countries were Australia, Brazil, Indonesia and the Middle East (Table 4.9). Although the 1973-74 oil crisis brought a momentary pause to such DFI in 1974, the crisis also acted as a spur to such investment during the remainder of the 1970s as it reinforced the need for secure lines of resource supply and for the relocation overseas of high-energy industries.

Further pressures were mounting to multinationalise sectors of the Japanese economy at the beginning of the 1970s. These inter-related pressures included, principally, growing recipient country hostility towards the high volume of Japanese exports, domestic Japanese disillusionment with the social

costs of high-speed growth and the continuing re-structuring of the economy. With the intensification of international hostility towards Japanese exports and domestic calls for the removal of "pollution-prone" industries off-shore, a proposal by the Industrial Structure Council of MITI to pursue a policy of positive industrial adjustment designed to establish a "technology-intensive industrial structure which is pollution-free, resource-conservative, and consumer-responsive" was adopted by the Government [29]. The new objective of a "knowledge-intensive industrial structure" (chishiki shuyaku-kata sangyo kozo) would involve a greater stress upon "knowledge workers" in Japan and more emphasis upon the role of multinationalisation in "production-sharing". Production-sharing would involve an "economic integration under which the developed country performs those stages in the productive process that are management-intensive, capital-intensive, and technology-intensive, while the abundant labour-resources of young workers in the developing country perform the stages that are labour-intensive" [30].

The third phase of Japanese DFI development (from 1974) is characterised by a strengthening of those trends emergent in the second period. The stock of DFI continued to rise after 1974 (Table 4.9) as did the number of Japanese multinationals (Table 4.10). This DFI reflected the growing international uncompetitiveness of heavy industrial sectors such as steel, shipbuilding and chemicals. This uncompetitiveness arose from (1) competition from NICs; (2) continuing domestic societal pressures for less socially-detrimental industries; (3) the encouragement for the relocation of 'senile' industries by the Government in relation to its adopted strategy to facilitate the development of a 'light, thin, short, and small' ethos; (4) continuing protectionist hostility

towards Japanese exports among recipient countries (particularly the United States and the EEC); (5) the maintenance of a strong Yen; (6) the enormous growth of the nearby South-East Asian market; (7) the post-oil crisis wage 'explosion' in Japan with the 1974 wage round increasing wages by 31 per cent with a direct flow-on for inflation, production and Japanese DFI.

The history of Japanese DFI indicates that multinationalisation of Japanese corporations has been responsive to domestic structural requirements and to international pressures. As Table 4.9 indicates, corporate responsiveness has been highly effective. The size and scope of Japanese DFI increased substantially over the 1951-1982 period.

Australia accounted for 5 per cent of Japanese DFI over the 1951-82 period with the mining sector accounting for over one-third of this investment (Table 4.9) The motor vehicles sector is the largest single recipient manufacturing sector. The investment relationship is held to have given rise to a particular form of economic "complementarity" in Australia-Japan relations:

> these patterns of Japanese investment in Australia are closely connected with trade between both countries. The Japanese and the Australian economies are highly complementary. On the one hand, Japan has abundant labour, but a small land area and only scarce natural resources. On the other hand, Australia has a vast territory territory and abundant underground resources, but has relatively scarce though high quality labour. This complementarity makes the two economies good trade partners ... The rapid transformation of the Japanese economy has increased the import demand for metal materials and energy resources, and at the same time, a resource development boom in Australia has led to rapid increases in resource markets. ... Japan is Australia's largest import market and second largest import supplier, and Australia is Japan's second largest source of imports after the United States. ... Japanese exports have shifted from the products of light industries, such as textiles, to those of heavy industries, especially machinery. Japanese imports have shifted from textile materials to foodstuffs, metal materials, and mineral fuels. Japanese investment in Australia is orientated towards production of the important traded goods. The affiliates in resource

> -linked industries sell most of their output to the home country, especially to their parent or parent-linked companies. Those in manufacturing buy most of their materials and semi-finished inputs from Japan, mainly from their parent companies. Thus, most Japanese investment in Australia inclines towards forward or backward vertical integration [31]

A 1978 Australian Government report noted that complementarity had led to "the development of more substantive and intimate relations between the two governments" [32].

It is evident from this brief review that Japan has emerged as a central player in the international economic system and that this has carried important consequences for Australian policy-making. It is also evident that multinationalisation by Japanese corporations has played an important role in facilitating Japan's ascent. To use Reich's terminology, Japan's multinationals constitute "national" multinationals, by which is meant that "they seek to increase the real incomes of their home country's citizens over time. They are agents of their national economies" [33]. Japanese corporate ethnocentrism results from a number of distinct contextual factors rather than from any corporate ideological commitment to such an orientation. These factors include (1) the particular intensity of the domestic economy's competitiveness. The economic dualism of the Japanese economy ensures that corporate attention will be dominated by domestic market considerations, a point embodied in the reported comment of one Japanese corporate executive that "our target is not some other country; our target is ourselves" [34] (2) the evolutionary character of multinationalism as a Japanese corporate strategy and (3) the distinct character of the social, cultural, and political environment for business in Japan. Multinationalism, in the context of Japan is not, therefore, automatically

to be associated with polycentrism. It is, rather, both a symbol and a contributor to the ascendency of Japan in the international economy.

Japan's power position in the 1980s is, in part, a consequence of its post-war economic, political and military circumspection. For the United States, however, its relative decline is attributable to the very foundations of 'pax americana'. In 1980, the United States' share of the total GDP of DMEs had fallen by half to 27 per cent and its share of total GNP to 42 per cent (Table 4.3). By 1979, the self-perception of a decline of the United States was encapsulated in the devotion of a special issue of Newsweek magazine to 'The Decline of U.S. Power' and an introduction that argued that "by most criteria, the US - the colossus that emerged after World War II - is clearly facing a crisis of the decay of power. Geopolitically, the years since the Vietnam War have produced far more evidence of retreat than of advance. ... Economically, the nation's ability to respond to external pressures has been sapped by currency debasement and the attendant strains on the Western economic order. And as in other cases of great power decline, there appears to be a failure of leadership at the core" [35].

Two central factors have contributed to the United States' "failure of leadership at the core": (1) the erosion of comparative advantages in traditional mass production manufacturing industries and (2) the "costs of globalism". The loss of productive and organisational advantages in the face of global changes in comparative advantages in manufacturing industries by the United States has seriously weakened its "power base". Reich, in his illuminating study of the challenges facing the United States into the next century, argues strongly that the choice is between an introverted shielding of

the United States from the changes in the international system and adapting to engage the new realities of international competition. Reich notes that the United States economic supremacy was achieved by basing its strength upon the production of large volumes of standardised products aimed primarily at the domestic market and by taking this basic style of production to its limits rather than by continual evolution of new forms of production. As a consequence of the availability of international technology and capital, reduced tariffs, DC Preferences, new transportation and communications avenues and world-wide marketing-sales networks, NICs have challenged the United States in the production of high-volume, standardised products. An increasingly uncompetitive United States industrial base, tied to an outdated productive mode and to a "scientific management" ideology wherein all socio-political or economic factors extraneous to a streamlined organisation of production are to be removed, has failed to respond in the manner that some Western European countries and Japan have done by moving into speciality, high value-added, sophisticated products [36].

According to one body of thought, the "costs of globalism" (the economic ability of the United States to continue to financially underwrite its hegemonic role) have become too great for it to bear alone [37]. It is argued that the costs incurred by the United States in maintaining asymmetrical trading and monetary relations with economically-powerful partners whilst recording growing deficits and the mounting cost of maintaining a "global military posture" at the same time as the domestic economic base approaches a critical stage of change places great strain upon the country's ability to retain its hegemony. Calleo argues that an inherent incompatibility lies at the heart of the changing role of the United States in the international system: "America's special domestic

claims and exceptional foreign responsibilities proved increasingly difficult to reconcile" [38]. Calleo argues that the tensions of the international system

> should be ascribed to the relative rise of other powers. The postwar system, initially organised and dominated by the United States, has been evolving into a more plural structure in which other powers grow more active and powerful. In itself, such an evolution should not be surprising. ... the slow transition from American hegemony to a more plural world is not, in itself, a defeat for American policy. On the contrary, it is precisely the outcome that might have been expected to follow from the policy itself [39]

Calleo's point is reinforced by an examination of the role of United States' multinationals in the country's relative decline. Although United States-based multinationals have increasingly become the focus of attention among policy-makers as a means of off-setting the United States' decline, paradoxically, these corporations have contributed to the rise of a pluralistic international system and a relative decline in the United States' systemic status. Essentially polycentric and global in scope, the ties of these corporations to their country of origin are tenuous. Gilpin argues that the world economy exhibits a "historical tendency for the diffusion of knowledge and technique to undermine the country's industrial supremacy" [40]. Gilpin further argues that "American multinational corporations have accelerated a shift in the global distribution of industrial and economic power to the disadvantage of the United States" [41].

The evidence to support this view is contained in the four dimensions of corporate operations held to undermine the foundations of 'pax americana'. Firstly, the rapid and broad-based expansion of overseas subsidiaries involved not only the creation of additional productive capacity to that existing in the

United States but also involved the substitution of 'home' plants. De-industrialisation of the United States, defined by Bluestone and Harrison as the widespread, systematic disinvestment in the nation's basic productive capacity" [42], is partly attributable to the transfer of production facilities overseas by United States' multinational corporations. The share of total corporate assets of the top US industrial corporations accounted for by overseas assets increased from 23 per cent in 1971 to 31 per cent in 1980 (Table 1.13).

Secondly, although Gilder and others have noted an upsurge in entrepreneurial re-structuring in the United States economy [43], the US multinationals have not been involved in a Schumpeterian "process of creative destruction". This is because capital investment has been directed mainly towards maintaining high volume, standardised manufacturing production or diversification into new product areas through the takeover of existing enterprises [48].

Thirdly, many American corporations in the 'home' economy opted to press for protectionism in the face of changing comparative advantages unfavourable to their high volume, standardised production. Fourthly, the expansion of corporate operations overseas contributed to the renaissance of economic competitors by "diffusing industry and technology". Gilpin argues:

> foreign investment has become a strategy by which a declining economy seeks to come to terms with its declining position. At the same time foreign investment accelerates that decline. As the dominant economy declines, the owners and managers of capital migrate to the more rapidly developing foreign economies. The logical consequence of this process is that the once dominant industrial economy becomes a rentier economy, living off its foreign earnings [45]

For Australia, the changing US systemic position exhibited itself in the central paradox of hegemonic decline, namely, that the very factors making burden-sharing so necessary for the hegemonic power also make such sharing very difficult to impose [46]. The change in the US's status coincided with a growing Australian national assertiveness spurred by Britain's entry into the EEC. This assertiveness was exhibited in the economic, military and political dimensions of the relationship. The Whitlam Governments of the 1972-75 period warned the US that although Australia "will need capital, [Australia] will wish to receive it on fair and equitable terms which give proper recognition to [Australian] national aspirations" [47]. Prime Minister Whitlam commented that "the friendship which we offer America now ... that of a middle power, making its own assessments and its own decisions in consultation with other interested countries, provides a better basis for a durable relationship ... than existed in the past. ... What is sometimes called a new nationalism, for which the election of this government is seen as a catalyst is ... really the beginning of self-confidence ... the end of old inhibitions ... and the beginning of a creative maturity" [48]. Whitlam further remarked that "it is better business for the United States to have cooperative partners rather than resentful clients" [49]. In defence matters, the Australian Government responded to the so-called 'Nixon Doctrine' enunciated by US President Nixon in 1973 by re-emphasising Australia's commitment to the 1951 ANZUS Treaty whilst stressing that ANZUS was "not the be-all and end-all of that relationship". The Whitlam Government wished to "move away from the narrow view that the ANZUS Treaty is the only significant factor in our relations with the United States and the equally narrow view that our relations with the United States are the only significant factor in Australia's foreign relations" [50].

The Whitlam Government can be regarded as representing a watershed in Australia's relations with the United States in that the 'All-The-Way' approach of the 1960s would no-longer be sustained by Australian Governments. The Fraser Governments of the latter half of the 1970s, whilst maintaining a cordial and business-like approach, placed greater emphasis upon developing Australia's role in the Commonwealth and with ASEAN. The Hawke Government, as will be discussed in greater detail below, has retained this cautiously-assertive approach. The Labor Government's tenure of Office was characterised by the steady increase of Australian DFI into the United States (most notably with the BHP takeover of the US mining giant Utah International), with inter-governmental disagreements over the Strategic Defence Initiative, US foreign policy towards Nicaragua, Vietnam and Kampuchea, and the establishment of a Pacific Nuclear-Free Zone. However, to balance these independent traits, the defence relationship between Australia and the United States remains close despite the United States-New Zealand dispute over nuclear-powered and/ or armed US Navy vessels and disputes over US subsidies for American grain exports.

These patterns of descendant and ascendant countries and associated configurations of multinational corporate activities suggest that Australia, Japan and the United States all face the challenge of coming to terms with a changed power structure in the 1980s and the need to delineate the parameters of their new roles. For Australia, the challenge is to refine its interests in a fashion commensurate with the rapidly changing pattern of inter-State relations and corporate behavioural patterns. The definition of such interests by the Australian Government is complicated by the global nature of corporate

strategies and by the interdependence of systemic units attributable, in part, to such corporate strategies.

3. Interdependence, Australia And Multinational Corporations

Interdependence as an analytical concept remains subject to intense theoretical debate. However, as defined in this study, interdependence comprises three elements: (1) 'interconnectedness', international transactions - flows of money, goods, people, and messages across international boundaries" [51] (2) 'Sensitivity', 'degrees of responsiveness within a policy framework" [52] (3) 'vulnerability', "the relative availablility and costliness of the alternatives that various actors face" (that is, the "opportunity costs" of disrupting the relationship) [53].

The interconnectedness of the Australia-Japan-United States 'triangle' is exhibited in the capital and trade relations between the respective units (Table 4.8). The composition of trade reflects the comparative advantages of the respective economies and the DFI configurations (Table 4.8).

Interconnectedness, defined in transactional terms, does not provide insight into the 'sensitivities' or 'cost distributions' associated with transactional relations. 'Sensitivity' interdependence refers to the perceptions of interconnecedness, its impact upon the costs involved and the responses of these actors. The United States response to self-perceptions of relative decline carry particular consequences for Australia's attempts to formulate industrial policies designed to facilitate structural adjustment. A defensive re-assertiveness expressed in American attempts to reverse the trend of decline by

effecting a restoration of the 'open' liberalised order of the international economy is characteristic of the United States' response to its changing systemic position.

Calleo argues that the problem for the United States is to come to terms with the consequences of its own success. According to Calleo, the United States failed to "exploit its success" and redefine its interests in the light of an increasingly pluralistic system, "at a critical historical moment [1970s], American statecraft proved unable to press its own historic policies to successful completion. Instead it wandered down into a cul-de-sac of unsustainable geopolitical pretentions and wanton domestic inflation. ... as the past decade ought to have made clear, equilibrium will not return to the economy at home without a more realistic balance of power abroad" [54]. Such equilibium, to be achieved, involves the facing of an "unacceptable dilemma", namely, "to sacrifice more at home to pay for its international position, or it will have to scale down its world commitments" [55]. Despite protectionist pressures from Congress, the Reagan Government sought to restore the United States' position in the international system and thereby facilitate domestic economic renewal. A purified international system, once more free for the flow of capital and goods around the world would promote a renaissance for the United States and international well-being.

The Reagan Administration's declared international investments policy reflects a Governmental response to geopolitical change [56]. In announcing the policy, President Reagan enunciated the basic principles governing the Administration's policy :

> [a] world with strong foreign investment flows is the opposite of a zero-sum game. We believe there are only winners, no losers, and all participants gain from it. ... The fundamental premise of our policy [is] that foreign investment flows which respond to private market forces will lead to more efficient international production and thereby benefit both home and host countries. ... A free and open international investment climate will play a key role, not only in sustaining our own economic recovery here at home, but also in resolving many of the current international debt problems [57]

The then United States Trade Representative, William Brock II, believed that the policy declaration was

> a particularly important action on the part of the Administration to say we're not neutral on investments, but that we are aggressively supportive of investments, both inward investment and outward. ... We intend to actively support investment and US investors wherever they may be because we think its in our economic interest to do so [58]

This active stance reflects an adherence by American government and business leaders to the 'scientific management' ideology noted above. This adherence reflects, in turn, the influence of neo-conservative groups upon the Reagan Administration's economic and political philosophy. "The Conservative Revolution" in the United States during the 1980s has its foundations in the welter of organisations such as the American Enterprise Institute and the Heritage Foundation designed to influence the Administration and the Republican Party in order to counter the "spiritual decay of economic man". Informed by the writings of George Gilder, Irving Kristol, Arthur Laffer and Jude Wanniski, neo-conservatism is not wedded to the status quo but to what it calls "radical change":

> much stronger US defences, deregulation of business, lower taxes, an end to trade protection, privatisation of some government operations, deregulation of functions to lower levels of government - a roll-back of the Welfare State at home and an end to US weakness and appeasement abroad [59]

In seeking to translate the aspiration to "begin an era of national renewal" into practical reality the Reagan Administration has, according to Irving Kristol, combined "traditional conservatism that emphasises the prudential management of both economic affairs and foreign policy" with a new brand of neo-conservatism "that strange creature, a future-orientated conservatism, which stresses the economics of growth rather than stability, the politics of hope rather than of preservation. It exudes a spirit of buoyant self-confidence rather than of grim defensiveness. It is this new kind of conservatism that marks this administration off from previous Republican Administrations. ...It is this neo-conservative dimension to his [Reagan's] policies that causes the American people to feel that we are standing tall again" [60]. The impact of this populist, patriotic call to 'traditional' American values upon United States' foreign economic policy has been to adopt policies designed to restore the basic international economic and political environment associated with the 1950s and 1960s, now regarded as being a 'golden age' of American influence.

The reaction of the Australian Government to systemic change was expressed during Prime Minister Hawke's first visit after taking Office to the United States in June 1983. Hawke recognised the emergence of a more pluralistic systemic order, the interdependence of the system, and a need for a re-commitment of governments to a liberalised international economic system:

> Australians understand well that there was no way that the postwar trading and international economic system could have evolved without United States leadership. Leadership, in this context, meant carrying the prime burden, initially in terms of aid for re-construction and development but more importantly in terms of

> the cost of trade adjustment and economic liberalisation, to deliver the postwar rules of trade. No single country can carry that burden alone today [61]

> Today's need is for a clearer recognition - a declaration of interdependence. However jealously we guard our national independence, we must equally recognise our international interdependence [62]

> I wish to confirm our commitment to another alliance led by the United States: the liberal multilateral trade and payments system [63]

The adoption of structural adjustment strategies designed to integrate the Australian economy into the international economy by means of a gradual reduction of the established protectionist regime by the Hawke Government represents a direct response to these perceived realities of the international system and the consequences for Australia. Japan has responded to these same changes by renewing its commitment to the established system of international free trade and investment. This response reflects the imperatives of Japan's "inescapable destiny" as a major international trading nation. The sensitivity of Japanese feelings of being "defenseless on all sides". Dependent upon raw material imports, export markets and export-earnings for continued economic growth, Japan has a key interest in maintaining a relatively open international economy. Acutely aware of international criticism of Japan's world-wide trading surplus, the Nakasone Government undertook a number of domestic trade and capital liberalisation measures and actively sought to encourage an increase in domestic consumer awareness of the importance of import-purchases. These measures remove some of the formal barriers whilst leaving the more intractable problem of informal non-tariff barriers.

If sensitivities have increased with respect to the imperatives of maintaining the overall policy framework of the international system as a result of internal national changes and the external development of a pluralistic and interdependent system, then the particularisms of the respective 'arms' of the triad (US-Australia-Japan) highlight the more immediate and contingent nature of the Australian economy. US-Japanese relations during the period of the Hawke Administration in Australia have been overwhelmingly governed by the politics of their economic relations and, in particular, upon trade and capital relations as a result of massive imbalances in favour of Japan. United States perspectives with respect to Japan are governed in large measure by the pressures of domestic interest groups facing Japanese import competition and by a reluctance among decision-makers to accept the structural dimensions to these issues and thus to adopt the rhetoric of "unfair business practices", "dumping", "targeting" and insidious Japanese involvement in economic affairs.

The antecedents to the emergence of this problematic relationship reveal a poor record on behalf of United States' Administrations' conduct of bilateral relations with Japan. From the 'textiles war' of the late 1960s, through the 'Nixon Shocks' and 'Soybean embargo' of the early 1970s, to the badgering of the Carter years, the American policy environment has exhibited a mixture of "arrogance and disregard" [64]. Despite the lingering persuasiveness of this "tutorial" or "occupational mentality" [65] within the central organs of American policy-making, the Reagan Administration has sought to change the nature of the relationship by improving the tenor whilst pressing hard for American policy objectives. The trade relationship and US deficit with Japan is held to be "structural, not cyclical ... even if all barriers to foreign sales and

participation were [removed], the US would probably run a deficit in [its] trade with Japan" [66].

The "Japan Problem" is, therefore, conceived by the Reagan Administration in terms of (a) Japanese business acumen and (b) asymmetrical reciprocity resulting from outdated trading bargains carried over the immediate post-war years. Edwin Harper, Presidential Assistant for Policy Development, in a June 1983 address presented before American business leaders, identified Japan's success as resulting from "the willingness of management to invest heavily in its future, market its products aggressively throughout the world, work doggedly toward long-term goals and [train and motivate] its workforce" [67]. William Niskanen, a former member of President Reagan's Council of Economic Advisers, argues that the heavy American criticism leveled at Japan reflects "implicit racism" and that the Japanese simply are "such formidable competitors" [68]. In Christopher's view, the heart of the problem for the United States "is not that the Japanese have violated the rules of free trade but that they have prospered too mightily by playing the game according to these rules" [69].

The "rules", however, are deemed by American policy-makers to have been unfavourably cast to Japan's benefit by the particular and temporally-specific circumstances of the immediate post-war period. During the majority of the post-war period, America was relatively open to Japanese trade and such trade was encouraged by American policies that allowed Japan to retain protectionist measures against American imports. Once Japan had revived, the asymmetrical nature of the economic relationship was retained until American pressure during President Nixon's tenure of Office induced Japanese Governments to introduce liberalisation measures. Bilateral tensions have led to continuing liberalisation

and to a residue of resentment in Japan among the decision-making elite and, according to Christopher, "even the most pro-American Japanese ... now have a mental list of grievances against the United States - grievances which Japanese leaders forebear to recite publicly but which continue to fester away somewhere in the national consciousness" [70].

In attempting to hold the "Ron-Yasu" line within the American Administration, a 'Pacific Basin Group', said to include Secretary of State Shultz, former White House Councillor Edwin Meese, Presidential Assistant for Policy Development Edwin Harper, and the then Assistant Secretary of State for East Asian and Pacific Affairs Paul Wolfowitz, had been able to "eclipse" the "trade hawks" of the Administration such as Secretary of Commerce Maurice Baldridge, Under-Secretary of Commerce Lionel Olmer and former Deputy Trade Representative David McDonald. A 'dovish' approach by the Reagan Administration was signalled by the reprimand by Meese to Olmer and McDonald for following too strong an approach towards Japan and by the subsequent replacement of McDonald by the more moderate Michael Smith. One senior official of the Trade Representative's Office commented that the Administration had "intentionally, emphatically and explicitly moved off the line of confrontation with Japan" [71].

The Administration, and particularly the 'Pacific Basin Group', faced a hostile Congress with respect to the 'Japan Problem'. Congressional hostility remained strong throughout the term of Office of the Reagan Administration and was reflected in the "free-rider" rhetoric of Senator Don Riegle of the 'rustbelt' State of Michigan: "Japan spends almost nothing on its own defence, then turns around and kicks Uncle Sam in the teeth on trade" [72]. The expiry

of the so-called 'voluntary' agreement on automobile imports from Japan in March 1985 and the subsequent 27 per cent increase in automobile exports to the United States announced by MITI (a level below that of pre-agreement levels) led to Congressional anger and the introduction by the Democrats in July 1985 of a Bill calling for an immediate 5 per cent reduction in the overall trade surplus by various Southeast Asian countries (although aimed principally at Japan) or face a 25 per cent tariff surcharge on all their exports to the United States effective from 15 October 1985. Heavy criticised by the Administration and threatened with Presidential veto, the Bill carried a significant degree of bipartisan support in Congress. The Bill, however, lost ground during the course of the year and did not pass into legislation.

Such mutual misunderstanding or "talking past each other" exhibited in the automobile issue (MITI officials believed that they were helping the American Government by setting seemingly restrained levels) is a consequence not only of American misperception, but also of Japanese difficulties in adjusting to the changing bilateral relationship. The politicisation of the bilateral economic relationship by successive American Governments has undermined the basic external policy framework of post-war Japanese Governments, namely, the deliberate separation of economic and political affairs (seikei bunri). With the 1951 guarantee of Japanese security by the United States and its subsequent renewals, Japanese Governments have been free to pursue in single-minded fashion the economic goals of 'high-speed growth' and "catching up with the West". Wakaizumi argues that "Japan's post-war diplomacy has always been passive, and has seldom played a positive role on its own in the arena of international politics" [73]. However, the politicisation of economic issues,

principally by the United States, promoted a change in Japan's policy perspectives. In 1981, Prime Minister Zenko Suzuki argued that Japan "must take the initiative in fulfilling [its] international responsibilities befitting [its] national capability. Japan must alter its diplomatic posture from that of passive beneficiary to active contributor" [74]. Prime Minister Nakasone argued in 1983 that Japan had "moved forward to assume a political role that is commensurate with Japan's economic potential. This means that when we are faced with various international problems, we will make contributions to enhance the solidarity of the West" [75].

Japan's attitude towards the United States remains one of sensitivity to external pressures. Liberalisation of Japan's economy has taken place steadily from 1967. Although such liberalisation has been characterised by European and American policy-makers and businessmen as being merely "cosmetic" and designed to effect "a strictly pro-forma acquiescence in international conventions" [76], significant measures have been taken by Japanese governmental decision-makers to increase 'reciprocity' in the international economy. These measures include the 1980 repeal of the 1949 Foreign Exchange and Foreign Trade Control Laws, the various 'voluntary' orderly marketing arrangements agreed to by Japan, financial market de-regulation, moves to increase Japanese imports by means of quasi-governmental procurements of foreign technology, goods, and services and attempts to tackle non-tariff barriers.

The process of internationalisation by Japan, characterised by some as "the second coming of the black ships", is held by Woronoff to reflect the process whereby substantial internal change in Japan is contingent upon externalities. "Monomania", the Japanese trait of selecting a limited number of

goals and then pursuing them "with unparalleled concentration and diligence" can, according to Woronoff, bring extraordinary degrees of cooperation, activity and energies "pushing the people on to almost incredible exploits". "However, what begins as a novel way of doing things hardens into a consecrated practice and ends up an immutable tradition ... the problem is that it is very difficult for the Japanese, once set on a given path, to change direction. So it will be necessary for many of the influences to come from outside rather than inside with the Japanese approach being more reactive than self-propelled" [77].

Japan's responsiveness to structural changes in the bilateral relationship with the United States is coloured by the belief that American decision-makers either misunderstand or ignore a central tenet of Japanese policy, namely, that "Japan has been unable to escape the nightmare choice of either exporting or perishing" [78]. Japanese resentment also stems from the evidence that suggests that Japan has lower tariff levels than the United States. With an import average of 2.8 per cent compared to the United States' 4.4 per cent, the application of quotas upon only 27 items and the 'inflated' nature of the United States trade deficit attributable to the strength of the United States' Dollar based upon inordinately high American interest rates held to have raised the deficit level by 50 per cent [79], the Japanese feel the evidence supports their position.

Nakasone, acutely aware of his limited freedom of movement during his first Administration as a result of the relatively poor electoral performance of the LDP in elections during the late 1970s and early 1980s, the intra-party criticism of his internationalist import-promoting policies, and the structural

nature of the trade and capital flows, sought to emphasise the greater sensitivity involved in managing Japan - United States relations:

> it is like travelling through Antarctic waters, where we have to avoid icebergs without damaging the ship. Both nations do function under a democratic party system, so neither of us can afford to take such a great risk that we endanger our Administrations. Both the Congress and the Japanese Diet, while maintaining compassion for each other's position, should try to measure the depth of the water and to use radar to detect the existence of icebergs so we will not drown or sink. If we navigate carefully, and if we show strong resolve, no problem is impossible to solve [80]

Australia's responsiveness to the sensitivities of the United States - Japan - Australia triangle is influenced by the Hawke Government's self-perception of the limitations of Australia's national power, the scope of Australia's national interests, and the domestic linkages involved. The Labor Government, upon taking Office, sought to establish a policy framework that "recognises and accepts the constraints on our capability and the limitations of our influence". Australia was to be "a nation with no illusions about its capacity to influence global events, and no false notions about our self-importance"[81]. Moreover, reflecting the basic pragmatism of the Hawke Government noted in Chapter Three above, Prime Minister Hawke argued in 1983 that "it is an error for a Government in foreign policy making, to lose sight of the ultimate objectives, or, in pursuit of a doctrine, to forget what is actually sought to be achieved. And the objectives set must be realistic and attainable" [82].

Following from this policy perspective, the scope of Australian national interests were defined by the Hawke Government as being focused upon the Asia-Pacific region and with "the major industrialised countries with which

[Australia] share[s] significant relationships, especially the United States and Japan". Prime Minister Hawke also commented that "we do not delude ourselves that a country of Australia's size can exercise much influence outside its own immediate region"[83]. Whatever role Australia plays in the international system is held by decision-makers to be inextricably linked to the domestic policy regime: "foreign policy will operate within the overall policy framework of our nation, closely related to the conduct of our policies, particularly those related to the management of our economy ... there is indeed an international significance to the ... measures ... taken towards economic recovery" [84].

Cognisant of the memories of the poor Australia - United States relations of the Whitlam Government era, the Hawke Government sought to emphasise its commitment to good relations with the United States. Prime Minister Hawke could not have been less ambiguous in 1983 when he stated that

> We are neutral neither in thought, nor action. ... we are linked with the United States - indissolubly linked - by a whole range of common interests, attitudes, aspirations, perceptions, institutions, traditions, and associations in war and peace, ... Under my government, the United States will continue to find, in Australia, a cooperative and constructive partner. We regard our relationship with the United States as one of fundamental importance [85]

Hawke, however, also sought to place emphasis upon the independence of Australian policy perspectives by arguing that a "difference of perception or policy" may exist between Australia and the United States and warned that similarities mean "that we can at times assume too easily an exact identity of values and interests. This can lead to the disappointment of expectations in our relationship with each other" [86]. Australia has sought to respond to interdependence by maintaining an attractive inward DFI regime, by gradually

reducing protectionist barriers, and by seeking to promote a cooperative multilateral framework. The Labor Government noted that United States' corporations "made a crucial contribution to the development of the mining and processing industries which provided the main impetus to Australian economic growth through much of the past one and a half decades. The policies of [the] government will facilitate the continued participation of foreign capital in that expansion" [87].

This approach to foreign investment has not, however, prevented the Labor Government from seeking resolution of the problems of extra-territoriality associated with American corporate involvement in Australia. The legacy of the Westinghouse case wherein attempts were made by the United States Government to extend jurisdiction to Australia led to the Hawke Government enacting blocking legislation to prevent such attempts being legally undertaken within Australian jurisdiction. The principal Australian concern was, according to Senator Evans, the then Attorney General, the lack of consideration of the "primacy of the laws and policies of other States within their jurisdictions" associated with the US Export Administration Act designed to extend US extra-territorial control. In December 1983, the Australian Government introduced amendments to the Customs Tariff Anti-Dumping Act designed to protect Australian business against such attempts at extra-territorial reach by foreign governments[88].

The need to pursue the adopted policy regime is increased by the instability afforded to Australia-Japan economic relations by United States' pressure upon Japan to increase imports from America. Such pressure is of central concern to Australia and has elicited a quick response from the

government against "cosy bilateral deals". Critical of the "free-rider" arguments adopted in the United States, Prime Minister Hawke stated in New York that Australia is

> concerned that the resolution of these conflicts should not involve deals which incidentally damage [its] own interests. ... In the normal course of events, comparative cost differences lead Australia to have a trade surplus with Japan, Japan with the United States and the United States with Australia. In such circumstances, bilateral trading deals can corrode our collective interests and responsibilities [89]

Although Australian sensitivity to America is of a high order, it is with Japan that an immediate sense of contingency and constraint pertains. The pressures upon Australian attempts to maintain economic growth in order to successfully adjust structurally with minimal cost increase significantly in the context of a perceived "end of [the] special relationship" with Japan expressed in an end to Australia's trade surplus, less favourable re-negotiated off-take agreements in the primary sector and a fall in Australia's share of the total Japanese market from a peak of 8 per cent to a 1984 level of 5 per cent.

The 'housecleaning' process of structural adjustment in Japan associated with the 'light, thin, short and small' ethos noted above has a significant consequence for Australian exports to Japan with a movement "generally away from the traditional commodities Australia has supplied, that is, away from raw materials including raw energy materials" [90]. Prime Minister Hawke, in noting this change, argued that Australia needed to respond by trying to "enmesh" the Australian economy into the changing Japanese economy and that this required "changes in the way we do things in Australia, changes in the attitudes of the government, business, and trade unions" [91]. In pursuit of the declared

Governmental objective of a "revitalisation of the general relationship" with Japan, the Government sought to stress that " Japanese markets for manufactures, processed foodstuffs and services need to be examined closely if Australia is to arrest the fall ... in its share of total Japanese imports" [92].

The Australian Government has repeatedly stressed the need for (1) a greater degree of information-sharing by Japan (2) continuing liberalisation and market-access by Japan and (3) guarantees that Japan will not enter into agreements with third-parties that would damage Australian interests. By encouraging structural adjustment in Australia towards high value-added, export-oriented production and by introducing a new 'Export Marketing Strategy' for the Japanese market, it was hoped that Australian economic development would continue to be 'locked into' the Japanese economy. Moreover, in promoting domestic economic adjustment, the Hawke Government stressed to Japanese leaders that it "welcome[d] the growing Japanese interest in investment in Australia".

Overall, the sensitivity of Australia to changes in the international economy and the interdependence ensuing therefrom is summarised by Collins:

> because the rules of the game are being negotiated as well as specific moves within the game, Australia now lives in a world of uncertainty and change in all of the spheres more important to us. Our interests require definition so that we know how far they are negotiable rather than from a coincidence of our interests with others will ensure our protection. ... This milieu is crucial ... because it is the result of the collapse of political and economic systems which depended upon American preponderance [93]

'Vulnerability', as a dimension of interdependence, is concerned with the availability of viable (that is, low cost) alternatives to the policy regime being actively pursued. If such alternatives exist, vulnerability is low. Where

such alternatives do not exist, however, then vulnerability is correspondingly high. The foregoing discussion suggests that Australian vulnerability is of a high order. The Australian condition is aptly described by Neil McInnes' 1970 comment that Australia "might be in the cheap seats, but we're padlocked in. We can grow inside the system being fashioned by international companies but not outside it and certainly not against it" [94]. McInnes argues that, given Australia's "small size, ... isolation, the apparent impossibility of joining some wider economic grouping, given too [Australia's] character, our relative lack of enterprise ... we would have to resist Gaullist temptations, supposing they ever arose" [95].

However, a pursuit of a dirigest (Gaullist) approach would entail significant changes in the pattern of foreign investment flows and multinational corporate activities. Given the experiences of the Whitlam era and the initial reactions to the Hawke Government's election, it is to be expected that a 'flight of capital' would ensue and a general corporate 'voting with the feet' eventuate. According to E.L.Wheelwright, if Australia was to make "a serious attempt to extricate itself from the embrace of international capital ... there would be economic and political upheavals which might parallel those which have occurred elsewhere in the world" [96]. A less high-cost option is to establish a "new planning process involving transnational - and other - corporations as contractual agents of approved economic development" [97]. Additionally, bargaining may be made more aggressive and/or critical in approach.

However, these options involve a partial closing of the Australian economy and, as such, carry consequences for Australia's standing in international

confidence, open the way for possible retaliation and disrupt established flows of capital. Given systemic change and its attendant uncertainties, such strategies cannot be regarded as being other than medium to high cost given the imperatives of structural adjustment. Similarly, a status quo option would maintain the current misallocation of scarce resources and the continued decline of key sectors of the Australian economy.

Finally, McInnes suggested an approach based upon the principle of 'if you can't beat them, join them'. In important respects, the policy regime adopted by the Labor Government, involving the relaxation of exchange controls, was an acceptance of this view. Clearly, all options involve some costs. However, the acceptance of a high- cost option requires as a quid pro quo a political and economic climate sufficiently flexible to withstand attendant pressures. In Australia in the mid-1980s such a politico-economic climate has not existed. The Hawke Government, faced with the evident costs of prolonged adherence to a protectionist regime, chose to pursue a strategy whereby direct governmental control of politico-economic forces was to be traded for indirect influence in anticipation of increased benefits to the Australian economy. The adopted industry policy regime was an acknowledgement that the 'opportunity costs' of disrupting direct foreign investment flows and corporate trends towards greater international productive specialisation are too high to be contemplated as a viable strategy for structural adjustment.

3. Summation

The foregoing discussion has indicated the importance of DFI and multinational corporate operations to Australia. In particular, the discussion

focused upon DFI and corporations originating in the United States and Japan. To highlight the complex nature of domestic Australian policy-formulation with regard to DFI, multinationals and Australian industrial development, the pressures arising from the international interdependent relationships between these three countries have been identified. It is argued that the presence of DFI and multinational corporations in Australia is significant and that the relationships between Australia and the United States and Japan impinge upon the Australian decision-making milieu and, importantly, upon the bargaining capacity of the Australian Government in its relations with multinational corporations. The principal impact of these external relations derives from the sensitivity and vulnerability of the Australian economy to the pressures of the international political economy. These pressures, reflecting the underlying pattern of power relations in the system, are transmitted to Australia through a complex web of interdependent relationships. The inherent asymmetry of these interdependencies forms an influencial environment within which Australian industry-policy formulation occurs and to which national assessment of policies towards DFI and multinational corporations must address itself. The extent to which the bargaining power of the Australian Government is actually enhanced by the patterns of interdependence is dependent upon the degree to which industrial re-structuring successfully re-orientates towards external markets and Australian outward DFI is increased, thereby reducing to some extent the degree of asymmetry. A concerted diplomatic effort on behalf of the Australian Government to promote freer international trade and the dismantlement of NTBs (the promotion of true reciprocity), is an essential requirement for enhancing the external environment for the Australian Government's policy-making and bargaining capacity.

CHAPTER FIVE

THE AUSTRALIAN MOTOR INDUSTRY: EARLY BARGAINING

1. Introduction

This chapter examines the relationship between the United States' motor vehicle manufacturing corporations and the Australian Federal Government in the mid-1920s and the 1940s. In particular, the chapter explores the nature of the negotiations between these actors that led to the establishment of production facilities in Australia in Australia by the Ford Motor Company in 1925 and the production of the first "Australian Car" by General Motors-Holdens in 1948. These negotiations are assessed with reference to the propositions advanced by Bennett and Sharpe that the bargaining advantages lie with the host government in the initial stages of the relationship between a multinational corporation and the host government.

2. Australian Motor Vehicles Manufacturing: Origins And Early Development

Although Australian 'cars' had been constructed from 1897 [1], it was not until 1900 that an Australian motor vehicles industry can be said to have been established. The founding of the Tarrant Motor And Engineering Company in that year and its first sales in 1901 of vehicles that would later contain 90 per

cent local content represented the birth of the indigenous manufacturing industry.

However, major events were taking place in the motor vehicles industry in the United States. In 1908, Henry Ford and his associates were creating the model 'T'. This vehicle incorporated simplified manufacturing techniques and new materials into a cost-cutting design. By 1914, this design advance was enhanced by the introduction of the 'continuous production' or assembly-line manufacturing system. According to an MIT Study:

> New production machinery to facilitate the continuous flow of materials in the assembly process was maried to a fully worked out "scientific management" approch to the division of manufacturing skills and ... the routinization of complex work. ... Ford used this new system of social organisation and production machinery to lead the world into the age of mass production [2]

Ford's production increased from 1,700 in 1903 to 300,000 in 1914 and to 1.9 million in 1923 [3].

In Australia, the local manufacturers could not compete with the low-cost and growing number of Ford imports. Tarrant produced its last car in 1907 and expanded its franchise of Ford imports. Imported chassis dominated the Australian market until 1914. A tariff imposed upon imported bodies promoted the local manufacture of motor bodies. The popularity of the motor vehicle increased rapidly between 1910 and 1921 [4]. The local industry was also given added stimulus by further Government action in August 1917 with the imposition by the Hughes Government of a ban on all imports of motor vehicle bodies. This was designed to retain money within the Empire, direct expenditures from

luxuries and promote local industry [5]. This had little impact on growth but did allocate half the Australian motor body market to Australian producers.

The inter-war period saw a rapid expansion of the Australian motor vehicles industry with total registrations increasing from 99,270 in 1921-22 to 820,296 in 1938-39 [6]. The expansion of the 1920s was fuelled by population growth and credit facilities. Although the depression of the 1930s rocked the industry, the late 1930s saw an economic recovery and a renewed demand for motor vehicles. A 1920 tariff gave incentives to local motor body producers and, as the rate on imports of chassis from the United States increased in the mid-1920s, it gave a strong incentive for American producers to manufacture in Australia.

During the inter-war years, the manufacture of motor vehicles became truly international in scope. Ford established first in Canada before following up with the establishment of plants in Argentina in 1916 and then Europe, South Africa, Australasia, Japan, India and South America. By the beginning of the 1920s, Ford was operating assembly facilities in 20 countries. General Motors followed; establishing 19 assembly plants in 15 countries between 1923 and 1928. On the eve of the Second World War, 23.2 per cent of Ford and 19.6 per cent of General Motors total production was accounted for by overseas production (Table 5.1) [7].

In 1925 the Ford Motor Company of Canada established a subsidiary in Australia and in 1926 General motors also entered Australia. During the 1930s, the Scullin, Lyons, and Menzies Governments sought to stimulate local manufacturing of motor vehicles and higher levels of local content. In 1939, the Menzies government decided to promote local motor manufacturing by means of a

single, Australian-owned company, Australian Consolidated Industries (the monopolistic glass manufacturer in Australia), through the Motor Vehicles Agreement Act and the Motor Vehicles Engine Bounty Act of 1940. The World War Two period saw ACI fail to establish itself as the sole manufacturer of motor vehicles in Australia. In 1944, the Australian Government called for submissions from motor vehicles assemblers in Australia for the manufacture of complete vehicles. In 1945, the Government accepted the submission from GMH and the first Holden car was manufactured in Australia in 1948.

3. The Ford Motor Company And Australian Assembly 1924-25

In October 1924, the Ford Motor Company announced its intention to establish motor body-building and assembly facilities at Geelong in Victoria. These would be designed to manufacture 30,000 bodies each year, employ 500 people, and cost £A 1.4 million. These facilities entered production in 1925 and expanded rapidly and assembly operations were extended to the other states of the Australian federation.

Why did Ford establish manufacturing and assembly facilities in 1924-25? Maxcy argues that, during this period, Ford and GM expanded overseas as:

> The motive for this foreign investment almost invariably was to get behind tariff barriers. It was defensive investment, designed to preserve or to penetrate a market otherwise closed to outside producers. ... One thing is clear. The pattern of foreign investment and the structure of the world motor industry was not the result of the free play of market forces. The direct foreign investment that took place was induced by the policies of host governments, and the kind of motor industry that emerged in each one of the producing countries was the logical outcome of its particular policies on trade and and investment. It was these policies that were ultimately responsible for the existence of MNEs in the motor industry before the Second World War, not Ford and General Motors [8].

What were the objectives of the Australian Government with respect to the development of the Australian motor industry and to the Ford Motor Company? The Australian Federal Government of the Bruce-Page Coalition sought to ensure that motor vehicle bodies would be manufactured in Australia and that, ultimately, chassis and complete vehicles too would be manufactured domestically. The Government sought to pursue an import-replacement strategy with respect to motor vehicles in the 1920s. The principal means adopted to meet this stategy was the use of the tariff to attract corporations to establish behind the tariff wall. American imports formed the bulk of motor vehicle and component imports during the period despite the operation of tariff preferences in favour of British companies (Table 5.2) [9].

Forster argues that it is "an illustration of the Government's eagerness to encourage foreign firms to establish branches in Australia, that negotiations for this event were initiated in Canada by government representatives and the company was promised every tariff assistance" [10].

The Federal Government's bargaining power rested upon a number of power-base elements and a mixture of coercive and non-coercive strategies. The Federal Government obviously had access to a strong resource component in its control over tariffs. This was underpinned by the manipulative component of a broad-based consensus among manufacturers and pastoral interests bound together under the Bruce-Page leadership. Translating the power-base elements into stategies the Government emphasised a non-coercive approach based upon persuasion within the context of the negative sanctions of higher tariffs.

Ford had two objectives. First, to retain access to the growing Australian market without experiencing undue costs. Second, in accepting the "necessity of establishing ... in a direct way" [11] in Australia, extracting significant economic concessions from the Australian Government as the price of entry.

The power bases of Ford included an ability to use its British subsidiary as exporter to Australia to take advantage of preferential tariffs; the ability to absorb higher costs arising from higher tariff duties, and the ability to refuse the Australian governments overtures.

Ford imported 20,000 vehicles in 1924. During 1924, the Australian Comptroller-General of Customs, Mr. Oakley, and the Assistant Minister of Customs, Senator Wilson, held negotiations with Ford Canada and stressed the tariff protection that would be made available to a Ford subsidiary [12]. In October 1925, the Australian Minister for Customs stated that "we are going to extend to the Ford Company every encouragement that can be held out under the existing tariff laws to come out here and establish factories [13]. Although then Australian Government gained its objective of enticing Ford into local assembly and body-making, the Government was reliant upon the guarantee of protectionism for the inducement of Ford and it still failed to achieve its goal of complete local manufacture. As the Minister for Customs, Mr. Pratten, stated in 1924:

> I am disappointed, personally, that the present proposal does not include the complete manufacture of chassis, but am very hopeful that the company will use all possible Australian materials already made here, and that this scheme will eventually develop into the complete manufacture of motor cars in Australia [14]

It is evident that the entry of Ford into Australia as a substantial local assembler and manufacturer of vehicle bodies was largely dependent upon the incentives that the Government could offer to make the proposition attractive to the emergent multinational. Bargaining power rested with the multinational insofar as it (1) was in possession of a pool of resources (skills, know-how, finance, managerial experience, and vehicle 'kits') desired by the host Government (2) it was not intimidated by the prospect of higher tariffs because of its cost-effective North American base from which to export to Australia. The Government, on the other hand, was disadvantaged by the need for external stimuli to domestic industrialisation and to the limited range of policy tools available to it, principally, the tariff. The entry of the Ford Motor Company into Australia, as a reflection of host government bargaining power over a multinational corporation, appears as something of a 'pyrrhic victory'.

4. General Motors-Holdens And An Australian Car

In 1948, the first Holden 48/215 was produced at the GMH Port Melbourne plant. This event was the outcome of negotiations between the Australian Government and the GMH company during 1944-45. In particular, with reference to the bargaining relationship, this 'Australian car' was the consequence of (a) Government pressure (b) a co-incidence of GMH corporate interests (c) the balance of mutual need and (d) the respective putative power of the actors and their consequent actualised power.

(a) Government Objectives

In 1945, the Labour Government accepted a proposal from GMH to manufacture a motor vehicle in Australia that would ultimately contain 95 per cent local content. The antecedents of this Government decision lay in the 1930s. Throughout the 1930s, Federal Government pressure grew with respect to the objective of the domestic manufacture of a complete motor vehicle. The Scullin Government in 1929-30 extended existing tariff provisions for imports in order to stimulate the local manufacture of vehicles at a time of severe economic depression. In 1936, the Lyons Government introduced measures to extend local content in domestically-produced vehicles. However, a more decisive step was initiated by the Menzies Government in 1939. The Government called for submissions from companies interested in manufacturing complete motor vehicles in Australia. However, as these submissions proved unacceptable, the Government decided to promote a 'national champion' - Australian Consolidated Industries- to manufacture such a vehicle. To this end, the Motor Vehicle Agreement Act and the Motor Vehicles Engines Bounty Act were passed in 1940. As the Second World War drew to a close, it was apparent that ACI was unable to achieve the goals set for it by the Act and a new round of corporate submissions was called that led to the GMH proposal whilst the 1940 Acts were repealed.

The identification of Government objectives can be a misleading exercise insofar as any such set of objectives is a reflection of a complex pattern of intra-Governmental politics wherein various groups, factions, and bureaucratic entities seek to promote their own perceptions of the national interest for adoption as Government policy by the executive branch. Objectives actually adopted may be perceived in different ways by the repective branches of the Government and give rise to administrative and policy confusion. In the context of the Australian Government's policy towards the manufacturing of an

'Australian car' a number of Government departments, committees, commissions and boards were involved in the formulation and execution of policy. Central to this infrastructure were the Department of Post-War Reconstruction, the Secondary Industries Commission, the Tariff Board, the Cabinet Sub-Committee on Secondary Industries, the Inter-Departmental Committee on Motor Vehicle Manufacture, the Motor Vehicle Advisory Committee, the Department of Treasury and the Department of Trade and Customs. However, despite the number of actors involved in the decision-making infrastructure, it was clear in 1943 that the broad objectives of the Australian Government over the next few years would be little changed from those enunciated in the mid-1930s. Local manufacture would be "an agent in trade diversion" and Australia already possessed the requisite market, raw materials, and engineering skills. Local manufacture would create employment; it offered defence potential; it would assist (and be assisted by) Australian immigration policy; the complex components of motor vehicles were already being made in Australia; it would reduce the costs of the components being produced in Australia and would not increase prices [15]. In addition, the Government was faced with the prospect of thousands of returning soldiers at the cessation of hostilities and the need to provide them with jobs. The problem facing the Government was how to proceed in order to successfully achieve local motor vehicle manufacture.

Late 1943 still saw uncertainty over the policy to be adopted by the Australian Government and this remained the case in mid-1944 when the Director of the S.I.C., J.K.Jensen, described the policy situation as "a state of indecision". The source of indecision was the operation of the Motor Vehicle Agreement and Motor vehicle Bounty Acts of 1940. Given ACIs obvious inability to carry out the task set for it, discussion and debate turned to questions of

'private vesus public' within the decision-making infrastructure. A new Government-owned Corporation for the purpose of motor vehicle manufacture was considered as an alternative to ACI and to free-enterprise production. An exchange between D.J.Nolan and J.K.Jensen in the newly-established S.I.C. in November 1943 highlights the debate:

> Nolan:
> [without] some very firm ideas of what powers the Government may propose to take in the establishment of a corporation such as we have previously mentioned, then it seems that you are faced willy-nilly to one or two alternatives, either that the motor car industry of Australia be developed by private enterprise or is developed by government owned agencies. Without the power through the Commonwealth Corporation, there is little doubt that there is only one way in which motor cars will be built in Australia and that is through private enterprise.
> Jensen:
> The Government has all the power it wants. I have no doubt in my mind that the Government has power or will get power [16]

The S.I.C. was a central actor in the development of the Government's policy on motor vehicles. The S.I.C. sought to move quickly on the subject on the basis that "the motor car industry interlocks with industrial development generally, and planning for this industry must be part of plans for general industrial growth" [17]; that "in any post-war scheme of defence it is essential that the technique involved in the manufacture of cars should be immediately available and capable of rapid extension in the case of some future crisis"[18]; and that "one of the fundamentals of success will be the procurement of this technical knowledge so that when the car does come out it is not considerably behind the times" [19]. The S.I.C., therefore, sought to persuade the Government to repeal the two Acts and the "obnoxious" "alleged agreement" with ACI in particular, to persuade the Government to announce it's intentions with regard to motor vehicle manufacture in Australia, and to hold discussions with motor

vehicle firms. The S.I.C. adopted the principle of "encouraging motor car production by progressively increasing the Australian content" [20].

In October 1944, the Comptroller-General of Customs, J.J.Kennedy, wrote a 'letter of invitation' to vehicle producers calling for submissions of proposals to help achieve "the desire of the Government to establish the motor vehicle manufacturing industry in Australia including the manufacture of the chassis and the engine" (Exhibit 5.A). The use of Government factories for components manufacture on a scale sufficient to maintain their defence potential was deemed a requisite consideration for companies in their deliberations.

The successor to Ben Chifley as Minister for Post-War Reconstruction, J.J.Dedman, stated during debate in the House of Representatives in March 1945 that:

> Complete manufacture of the entire vehicle may not at first be practicable, but our aim should be to achieve it as soon as possible. Moreover, the Government looks to a developing and expanding automobile industry as the keystone that will consolidate the industrial structure that we have built up during the war [21]

(b) GMH Objectives

The goals of GMH represented a mixture of the interests of the GMH subsidiary and of the GM parent. GMHs managing director Laurence Hartnett believed that the manufacture of a complete Australian car was "inevitable" and that GMH should take the opportunity to be first to undertake such manufacture. General Motors, however, "did not want to manufacture in Australia ... they really thought it was silly for anyone to suggest that they should make complete cars in such a small market" [22].

GMHs goals were based upon a number of beliefs. First, it was believed that the potential for the Australian motor vehicle market in the post-war period was insignificant. Second, the company had the ability to undertake such a project. Third, that it was a viable economic proposition. Fourth, that the manufacture of such a vehicle was inevitable. Moreover, it was felt that if GMH did not respond favourably then a competitor might. In addition, Australia was acutely short of American Dollars and, therefore, Dollar imports would be restricted at a time when the Australian market would be expanding and foreign exchange advantages would benefit British firms.

Hartnett's personal briefing notes indicate the strength of his commitment to the manufacture of motor vehicles in Australia with a listing of the advantages and disadvantages of manufacturing that he prepared in 1944 balanced 54 to 2 in favour of manufacturing. Among the points listed by Harnett in favour of manufacture were the availability, favourable price, and well-established convertibility of basic raw materials, available skilled and competitively-priced labour, import restrictions and constrained demand, internalisation advantages, competition from English firms and the likelihood that "if the total United States and Canadian [section of the market] continues to contract, as there is every indication today that it will continue to do so, then the satisfactory ratio to General Motors will not have much value in terms of unit and earning power", the "constant series of requests, desired demands and even legislation on the part of the Government in Australia to bring about the manufacture of complete cars", the belief that "the Government will do anything reasonably asked of it to aid in bringing about the complete manufacture of motor cars", the public support for an Australian-manufactured car, "national ambition", the improvement offered to General Motors in its

defence of Pacific markets, and the belief that the time was right [23]. The two adverse factors identified by Hartnett were the high price of fabrication and the disruption to the pre-war manufacturing programme.

GMs view was, initially, one of scepticism at the idea of manufacturing a complete vehicle in Australia. A number of factors combined to support this view. The small size of the market appeared to make production runs uneconomic; surplus capacity existed in other GM plants to supply Australia; and the view of Alfred P. Sloan that "I don't like this country, Australia. It's a socialist sort of place: the Government owns the railroads, doesn't it?" [24]. However, in negotiations between GMH and GM, GMs Executive Post-War Planning Committee decided to allow GMH to proceed. Frederic Donner (later to become Chairman of GM) stated three reasons for GMs favourable decision: (1) if GM did not accept the Government's challenge then the likelihood was that Ford or the other companies would (2) the project was deemed economically viable and (3) GM had the technical resources to produce an 'Australian car' [25].

The GMH proposal (Exhibit 5.B) sought guarantees from the Australian Government in return for undertaking local manufacture. GMH wanted assurances that the Australian Government would not enter into Australian manufacturing; GMH would have equal treatment with other corporations; the Government would give advance warning of possible tariff changes and GMH would have the opportunity to confer with the Government on any such proposed changes; GMH would have 'first-option' on Government-owned factories and equipment needed for GMHs entry into complete domestic manufacture; an end to the undistributed profits tax.

(c) The Balance of Need

The Australian Government was convinced of the need for the production of a complete motor vehicle in Australia. J.K.Jensen argued that "I believe it is absolutely essential that a car should be made in Australia" [26] and Chifley expressed the view that

> We must make cars ourselves, and I don't think these people out here in the car game will do it. They're foreign: they're not us; they represent overseas interests. Australia needs a car of her own. We must have it [27]

However, despite Chifley's classic representation of the multinational problem, he turned to the wholly-owned subsidiary of the American multinational General Motors. The immediate post-war pressures for employment and economic growth combined with a medium-term goal for industrial reconstruction in a potent force for change. Historian Manning Clark describes the atmosphere of the time in terms of a

> sense of Australia as a social laboratory, as a path-finder in humanity's march towards brotherhood and peace, as well as the conviction that the horrors and degradation of the depression must never return, lived side by side in Labour's post-war social-welfare legislation with the motives of defence and national aggrandizement [28]

Given that the existing policies designed to establish domestic vehicle manufacture through a national champion had failed, the Australian Government's reliance upon external sources of expertise and know-how was severe. To achieve its national objective the Government needed access to the American corporate resources to achieve national goals. Without such a spur to Australian industry

it was felt that the task of reconstruction would be made even even more difficult for the Australian Government.

For GM, however, the need to be a manufacturing participant in the Australian economy was not strong. The GM parent was reluctant. Economic advantages were the major determinant of whether the GMH subsidiary would manufacture complete vehicles. GM did, however, seek to retain access to the Australian market and did not wish to lose the market to the British or to Ford. In addition, Hartnett was convinced that the Government would attempt to become directly involved in motor manufacturing in some fashion if GMH or the other companies were not forthcoming. GMHs position was, therefore, complex and somewhat equivocal (apart from Hartnett's own conviction that there should be an Australian car) with respect to the need for the company to become involved in Australian manufacturing.

(d) Putative and Actualised Power

The putative power of the Australian Government rested with three particular power base elements: the option of promoting Australia's links with the British motor corporations; the option of establishing direct State-owned manufacturing; and an option of disadvantaging GMH by favouring competitors or even denying access to GMH altogether. However, the weight of these options was reduced by the reluctance of British firms to become local manufacturers; the experience of the failure of the ACI initiative; the cost of developing a State-owned project from scratch; and the possibility that if GMH refused, then the other companies might follow. GMH drew putative power from its access to a pool of resources desired by the host Government; its experience of manufacturing;

its ability to continue to supply the Australian market with imports; and the related option to withdraw from the market altogether. At the same time, the Government decision-makers were aware of bargaining strategies that included, according to Jensen, "a good deal of playing off one department on another by the firms" [29]. However, it is evident that GM did not want to lose access to the Australian market and its growth potential. It was also unwilling to relinquish a market to its principal competitors such as Ford. In addition, the Dollar shortage and exchange controls would have disadvantaged GM if it had followed the option of continued exportation to Australia.

Negotiations were conducted between GMH and the Federal Government informally and formally from 1943 to 1945. Informal discussions took place in late 1943 between Hartnett of GMH and Chifley, Jensen and Kennedy. Hartnett was familiar with these Government decision-makers as a result of his wartime position as Director of Ordinance Production. After these informal contacts had been made, formal relations took over. These began with the the letter of invitation to motor companies in Australia from the Australian Comptroller-General of Customs in October 1944 requesting submissions. Hartnett comments in his autobiography that this letter "came so soon after my visit to Chifley that many people, even those in my own organisation, were sure that I had instigated it. I'm sure some of my "friends" even hinted to General Motors in New York that I had drafted the letter" [30].

As noted above the formal infrastructure for governmental decision-making related to the motor vehicle industry involved a number of units. This infrastructure gave rise to some early problems with respect to the formulation and pursuit of policy. The S.I.C. Report for 1944 noted that:

> Some confusion and departmental overlap resulted in the Department of Trade and Customs in the first place contacting possible manufacturers. However, it was finally decided that the repeal of the two acts was a matter for Trade and Customs leaving the S.I.C. to handle negotiations with private industry, regarding the actual manufacture of the car [31]

The S.I.C. saw itself as a "Commission of action" whereas the the Tariff Board was only a "Committee of enquiry" and that consequently there was little need on the part of the S.I.C. to consult with the Tariff Board to any great degree on motor vehicle manufacturing policy [32]. With respect to the negotiating responsibility, the Secretary to the S.I.C. recorded in the Commission's minutes for Febuary 1944 that J.K.Jensen reported that a "certain goodwill had been established and he expected cooperation on the part of the firms involved" [33]. A preference for the United States and Canadian firms was expressed by the Commission in its confidential minutes with J.K.Jensen arguing that British firms' attitude towards manufacturing in Australia "is pursued more from the thought inherent in the British that the colonies can wait" [34]. However, this view did not prevent the Commission from considering the view expressed by Commission member Hartnell in March 1944 that "if the American people won't build we must get the British to play. We must play one against the other" [35].

With Hartnett's established conviction that a motor vehicles manufacturing industry should be developed in Australia and his close contacts with the leading Government decision-makers as a result of his war-time involvement, GMH was a clear candidate for Government attention. J.K.Jensen reported on a meeting he had held with Hartnett to the S.I.C. that:

> [Hartnett's] Principals in America are opposed to completing a car in Australia because they think it is economically

> unsound from the world standpoint, but if the Government applies pressure to Mr. Hartnett to do something about it his Principals will then give way and allow him to go ahead. I discussed ways and means about pressure and it can be done, I think, even if by myself, so I will take responsibility that it is done" [36]

In pursuit of this responsibility, Jensen held a number of meetings and entered into correspondence with Hartnett. Hartnett appears as a willing instrument of Government policy as he envisaged a mutual benefit for both General Motors and Australia. In a strictly private and confidential letter to Jensen dated the 5th July 1944, Hartnett wrote

> My main problem on my trip [to General Motors in Detroit] will be to convince the Corporation that Australia wants a car made, and that it is a sound place in which to invest further money, and the like. Perhaps you could give me two or three letters, and I take the liberty of drafting them somewhat along the lines that would be the greatest benefit. Thanks for your understanding [37]

A letter from Jensen that Hartnett did take to Detroit was dated 16th March 1944 and was designed to give Hartnett "some indication of post-war policy in regard to Australian Secondary Industry". Jensen continued

> I am hoping that one or all of the existing firms will enter the field of manufacture of motor cars in Australia. It would be regrettable if they did not, because then we should have to look elsewhere for realisation of our aspirations. This brings me to the second possibility: the manufacture of a car by our Government Munitions organisation. ... I will merely assert that it can be done. I am expecting, however, that it will not be forced upon us, and I am sure that if your company, or some other competent manufacturer, will say that it contemplates entering the field of Australian car manufacture, the possibility is not likely to be raised. You will see, therefore, that the decision rests with you [38]

The threat of the Government stepping into manufacture should private enterprise fail to meet Government demands was evident enough to the General

Motors Board but, from the S.I.C. deliberations noted above, it is clear that the public option did not rank highly in their consideration other than as a bargaining tool. However, the Commission did consider other options for pressuring General Motors and the other motor vehicle firms. In March 1944, Coombs argued that the Australian Government's objectives could be achieved "by setting such a prohibitive duty which will guarantee that they are produced here" [39].

Once the GMH proposal had been accepted, however, the process of decision could be straightforward. For example, with respect to GMH's gaining of a £2.5 million loan from the Commonwealth Bank in Melbourne, Hartnett relates the relaxed and simple nature of the process:

> When I told him [Chifley] about their [GM] one condition - that it would have to be financed in Australia - Chif didn't even blink. "I'll contact J.K.Jensen and H.T.Armitage, Governor of the Commonwealth Bank ... I can't see that money should be allowed to hold up a matter so important to Australia." ... I saw Jensen in Melbourne the next day, and sure enough, word had come through. He, in turn, had contacted the Commonwealth Bank. J.K., being Chairman of the Secondary Industries Commission, carried a ton of weight. Then I saw Armitage at the Commonwealth Bank in Melbourne. "How much do you want?" he asked. "About two or three million pounds," I said casually. "Hm. Can you get any closer than that?" Armitage was being deliberately casual, too, as though he handled requests like that all day. "Well, make it two and a half million. That should do it," I said. "I think we can find that," he said. And that was that! [40]

In the assessment of outcomes, the Government gained the goal of forming a base for the complete manufacture of motor vehicles in Australia and GMH gained some of the concessions it required as the price of compliance with the Government. These concessions included the £2.5 million loan (rather than US direct foreign investment); bye-law provisions under the tariff; foreign

exchange allocations to GMH; the provision of Government materials, equipment and production supplies; foregoing of income from the undistributed profits tax; a maintenance of chassis imports and consultation provisions for tariff adjustments. GMH failed, however, to persuade the Government to grant it a "merchants discount" of 28.5 per cent on Government-owned plant sold to GMH.

5. Summation

The available evidence with respect to the entry of Ford and General Motors into Australia suggests that, in these cases, the Australian Government's bargaining power was maximised only when the interests of the multinationals coincided with those of the Government. This does not suggest that the host government was without power with respect to bargaining with the multinationals. Rather it suggests that, in the balance of relations, the greater weight lay with the corporations. Asymmetries in the balances of need were reflected in the respective interests of the actors and their power relationships. The host Australian Government was weakened by its economic developmental need for the resources of the multinationals and the absence of viable alternatives.

CHAPTER SIX

THE AUSTRALIAN AUTOMOTIVE INDUSTRY: LATE BARGAINING

This chapter has as its focus the negotiations undertaken during 1983-84 aimed at formulating revised post-1984 arrangements for the Motor Vehicles Manufacturing Plan. The analysis examines Government and corporate objectives, the nature of the power bases of the respective bargaining actors, and the implications of the power relationships. The Australian Motor vehicles Manufacturing Plan was introduced by the Liberal-National Coalition Government in 1976 and amended in 1981 to include arrangements for the post-1984 period. The Hawke Labor Federal Government introduced revised post-1984 arrangements to the Australian Senate on the 29th of May 1984 following prolonged representations from the industry for such a revision. The revised measures were designed to establish clear objectives for the industry, provide policy stability and constancy within which to pursue these objectives, and ensure a gradual rationalisation of the industry whereby greater efficiency and international competitiveness could be restored.

1. The Revised Post-1984 Arrangements (1983-84)

The measures announced to the Senate by the Labor Government in May 1984 included arrangements that became effective from the 30 May 1984 and from the 1st of January 1985. The main features of the arrangements are displayed in

Table 6.6. The measures brought some vehicles such as four-wheel drives within the Plan, changed duty rates and adjusted import quotas. An import quota totalling 110,000 vehicles provided for a 22 per cent market share for imports. Plan manufacturers were allocated import quotas. Additional quotas were available through tender. All quotas would be phased down over the term of the Plan. Access to quotas for 'Plan Producers' were subject to review in the light of their demonstrated commitment to rationalisation. Those producers withdrawing from local production would gain a special import quota. Local content requirements remained at a high level but Plan Producers were allowed to to gain duty-free imports for components and CBUs. Imported content measurement was tightened by moving from 'duty free into store cost' to 'customs value for duty'. Vehicles produced for one company by another would be included in the former's own production figures. Opportunities for transfer pricing were to be countered by stricter requirements for information disclosure and Ministerial discretion to refuse duty free entry and impose penalty duties of up to 150 per cent. Export facilitation, whereby credits are gained to be offset against the local content requirements, were to be gradually increased. An Automotive Industry Authority was to be established to monitor and offer guidance to Plan Producers. Grants up to $A150 million for local IR&D were provided. Worker re-training was promoted through the extension of Special Adjustment Assistance [1].

2. Actor Objectives

The climate for change in the automotive policy regime was effected by Prime Minister Hawke and the Minister for Industry and Commerce, Senator Button, in the weeks preceding the announcement of the new arrangements. Prime

Minister Hawke argued in an address to the Federal Chamber of Automotive Industries in April 1984 that established policy had been unsuccessful and that the industry was characterised by rising protection, declining employment, and stagnating competitiveness. A continuation of protection at high levels would stifle the impetus for gradual adjustment to rapidly changing market and production requirements [2].

In May, Senator Button argued in a Tokyo press conference that the basic problems of the Australian automotive industry were (1) low volume in a mass production industry (2) surplus capacity in the order of 40 to 50 per cent for some plants (3) high production costs and (4) an "absurd" model proliferation [3]. Button argued that "the industry has all of the inefficiencies and yet it is the most highly protected industry in Australia" [4]. To help the industry, Button stressed that Government policy needed to reflect the broader requirements of Australian overall industry policy in achieving structural adjustment. The automotive industry, because of its exceptionally-high assistance level and its key importance in the economy, was regarded as an important example of the Government's determination and policy commitment. Button claimed that "if we want to do anything about lowering levels of protection in other industries we have to deal with the motor industry first on that question" [5].

Although the revision of the 1981 'Lynch Plan' was partly spurred by immediate industry concerns regarding import penetration, export credits, exchange fluctuations and local content calculation, the main impetus for policy adjustment came from the Government's belief that the fundamental problems of the industry (noted in Chapter Five) needed to confronted with haste and common

purpose. The Government set itself five objectives: (1) the exposure of the domestic industry to greater import competition through a gradual reduction in tariff protection, (2) the promotion of increased efficiency (3) the encouragement of a rationalisation of production facilities (4) the maintenance of stability during adjustment (5) an increase in Australian ownership and control [6].

The policy goals followed from the premise that, whilst the automotive industry would "always or in the foreseeable future need higher levels of protection" [7] than other Australian manufacturing industries, the 1983 level was too high and promoted inefficiency:

> we should not be looking to increases in the degree to which car and component producers are insulated from world competition ... the long-term viability of firms and of employment opportunities cannot be achieved in that way: disparities between protection levels for this industry and other areas of manufacturing need to be lessened, not widened [8]

The policy revision, therefore, represented an attempt to make the Australian motor industry "get up and walk rather than giving it an iron lung of protection and hoping it breathes" [9]. This, in turn, reflected the Government's decision-making elite's "conviction that exposure to the discipline of import-competition is necessary for the healthy development of the industry" [10].

Such a 'disciplined' motor manufacturing industry required, according to the Hawke Government, a substantial rationalisation of the operations by the five Plan Producers. A rationalised industry would operate on the basis of "co-operative competition", that is, "joint ventures, the development of consortia

for production purposes and to fully utilise capacity, and the reduction of costs by standardisation of methods" [11]. The expectation of the Government was "to see no more than three vehicle manufacturing groups operating in this country. The least disruptive way in which this can be brought about is by way of consortium and cooperation arrangements between existing manufacturers to preserve their operations in this country" [12]. Such expectations were coupled with an aspiration to see a reduction in the number of locally-produced models. The Government sought "the production of six, or fewer, model lines compared with the [existing] thirteen: a concentration of vehicles and components in which the Australian industry [had] the least cost disability and substantial volume of demand: and increased sharing of models between manufacturers on a rebadging basis" [13]. An efficient automotive industry was defined as one exhibiting a "greater unity of purpose, integration of functions and management and a technical cooperation between the components and vehicle manufacturing sectors" [14].

Rationalisation, it was believed, would lead to a more efficient and competitive industry. Improved scale economies providing for a lower cost disability compared to overseas producers and an ability to compete without market-sharing arrangements would, therefore, follow from increased commonality and complementation [15].

Chapter Five indicated that the history of the Australian automotive industry is one of frequent policy changes by Federal Governments and a confusing inconsistency in the direction of such policy. The Hawke Labor Government stressed the importance of providing a stable policy framework

within which the difficulties involved in adjustment to change could be minimised by manufacturers:

> There must be a period of adjustment over a number of years. In an industry with long lead times, predictability and stability of policy are essential. This is even more important during a period in which significant structural change is expected to occur [16]

To "facilitate the process of change" Government statements continually stressed the importance of creating a "sense of common purpose", a common "vision", or "a common goal" that would broaden understanding among groups in the industry and reduce instability" [17].

One area of concern for the Australian Government was that of the sizable foreign ownership and control of the Australian automotive industry. The Government argued that overseas control could result in domestic uncertainty and disruption if corporate policy should run counter to that of the Australian Government. Moreover, national interests could be harmed if the multinationals undertook such practices as transfer pricing [18]. To reduce the possibility that "decisions made in overseas boardrooms [would] profoundly affect the local industry and work against its best interests", the Government sought "increased autonomy of local operations" and "greater Australian participation in ownership and control in all sections of the industry, and greater participation by Australians in the management, at all levels, of overseas-owned companies operating here" [19].

If these objectives can be identified as forming the final policy position of the Government, then it is less easy to offer such a composite or unitary policy perspective to cover the objectives of the multinational Plan Producers.

Some general agreement can be identified with respect to (1) the need to make changes to the Lynch Plan (2) the need for stability and policy constancy (3) the need for greater cooperation and coordination between producers and (4) the need for a definition of the goals of industry policy and a timetable for their attainment. The basis for any common perspective among the multinational motor manufacturers was the belief that "to survive, some restructuring was necessary" [20]. However, differences arose between the multinationals over the kind of restructuring required and the means by which such adjustment would be achieved.

If the multinationals' interests can be said to have coalesced at all, then the need for Government policy stability and orderly change was one such area. Nissan Australia stated that "one of the company's first aims was achievement of some stability in Government policy" [21]. This reflected the Parent company's view that the frequent changes of Government policy following the company's entry to the Australian market in 1975 were "dishonourable" and that "consistency and predictability [was] of great concern to Nissan" [22]. Toyota executives in Tokyo, too, admitted that the company had become "angry" at times at the frequent policy changes as these created "planning problems" for the company and "complicated" its Australian operations [23]. GMH stated that "we were anxious that the Plan be ratified as quickly as possible to enable us to develop forward strategies with confidence knowing that they would not be subject to further continual changes" [24].

To achieve some form of re-structuring and stability, the Plan Producers were in agreement with the proposal made in the Car Industry Council Report submitted to the Government in December 1983 that:

> the Government announce an industry goal. The purpose of such a goal would be to give notice to the industry of the direction in which the Government wishes it to go. Individual participants in the industry would then be able to make forward plans, in consultation with Government, which they know to be in harmony with the Government's long-term aims for the industry [25]

Beyond these generally-agreed points lay the particular interests and objectives of the respective multinationals. Five issue-areas elicited diverse corporate responses: (1) export-facilitation (2) passenger vehicle substitution (3) import quotas (4) local content levels and (5) rationalisation.

For GMH, more than any of the other Producers, export facilitation was the "prime concern". GMH sought to ensure the retention of export credits and their extension. GMH's $300 million investment in a Victorian engine plant was tied to the advantages that could accrue to a Producer from export facilitation. The company wanted to secure "recognition [that] Holden had acted in good faith under the previous rules and should not be penalised because of this" [26]. The other Plan Producers were willing to see export facilitation continue but argued that an extension of the scheme would unduly benefit GMH rather than all the Producers equally.

The question of passenger car substitution by light commercial and four-wheel drive vehicles imported outside the provisions of the Plan was raised by Ford, GMH and Nissan. Ford's objective was "to bring certain light commercials under the passenger plan" [27]. GMH aimed to gain industry and Government "recognition of the Passenger Substitution problem and its impact on domestic passenger vehicle manufacture" and argued that "passenger substitutes were eroding the volume base of local PMV manufacturers" and "were subverting the

intention of the PMV Plan" [28]. On the other hand, AMI and MMAL, as significant importers of light commercials and four-wheel drives, were arguing that it was unnecessary to include these imports under the Plan's PMV provisions [29].

Corporate concern also turned to the allocation of import quotas. Under the 'Lynch Plan', the 1984 interim quota allocation left Ford and GMH with negligible quota and MMAL with half the quotas of Toyota and Nissan. Plan Producers would have 35,000 units (7,000 base quota each) and non-Plan importers 70,000 units out of a post-1984 global quota of 105,000 units. MMAL argued that the non-Plan import levels for 1985 formed too sharp an increase in imports and, therefore, threatened locally-manufactured vehicle sales. Ford and GMH aimed to guarantee themselves a share of Producers' base quota for the post-1984 period equitable with the other Plan Producers. GMH argued that it was at "a competitive disadvantage as regards importing CBU vehicles" and sought an "acceptance that the five Plan manufacturers should be treated equally in the allocation of import quotas" [30]. For Nissan and AMI, companies with significant importing operations, there was little incentive to revise quota allocation provisions to benefit the other manufacturing multinationals. A Nissan executive bluntly expressed the view that GMH's and Ford's quota problems were "their own fault" and was simply "tough luck" [31].

With respect to local content requirements, the Producers did not make a major push to reduce the required levels although AMI proposed a reduction of 10 per cent to a 75 per cent level. All the Producer's aimed to remain as local manufacturers. They were jealous of their lines of production and cautious about extending existing commonality and complementarity. Each of the Producers was working in accordance with medium-to-long-term strategies designed to

rationalise operations and to seek selective cooperation arrangements with other manufacturers when deemed appropriate. However, according to one participant in the CIC discussions, the Plan Producers had been brought by a mixture of market conditions and Government pressure to the realisation that the industry could not continue to operate in its anarchic fashion and still accommodate all of them. It was clear that, without some degree of cooperation, even the largest of the Producers was under threat [32].

2. Responses To Policy Outcomes

The brief answer to the question of who lost and who won in the policy-making process is that the outcome provided "most things for most people involved in the industry" [33]. The Government and the multinationals gained on some of their objectives and lost on others. For the Government, the outcome was satisfactory given their initial objectives. The arrangements established the desired programme for the gradual reduction in assistance levels. The adoption of a task-oriented forum, the Car Industry Council, proved a success in focusing the attention of the various industry groups on their common problems and common interests as well as identifying their differences. The Government's desire to see a slimmer, co-ordinated, import-competitive and export-oriented industry was accepted as the main objective towards which the industry as a whole should work. The Government, however, did not gain commitments from the multinational manufacturers to an eventual consolidation of the manufacturing groups or to a rationalisation in the number of locally-produced models. No commitment was made by these enterprises to greater Australian equity participation. Overall, the Government believed that it had managed to establish a policy framework wherein the automotive manufacturers could undertake an

adjustment to changed structural conditions and pursue the main objectives of Government industry policy [34].

GMH's managing director, Chuck Chapman, responded to the revised arrangements by commenting that the company was " pleased the automotive industry had a firm plan and clear direction for the next seven years" [35]. GMH succeeded in gaining equal access to base quota allocations and in ensuring a retention and expansion of export facilitation arrangements. Chapman suggested that export facilitation "was the single ingredient which would encourage the industry to adopt a more global view. It would stimulate the industry to look at export opportunities in a way that has not been typical recently" [36]. The company failed to get most light commercial and four-wheel drive vehicles included in the Plan at a 57.5 per cent tariff.

Ford Australia's managing director, Bill Dix, cautiously described the arrangements as " a practical and appropriate response to overseas vehicle developments, and a lower industry volume outlook" [37]. Ford gained equal access to quota and accepted the 15 per cent export facilitation provision. Ford acknowledged that "the new Plan introduces some increased opportunities in this area [export facilitation] in terms of exports of automotive products from Australia, offset by imports of build-up vehicles" [38]. However, the proposed model reduction was "more dramatic than anticipated" [39].

AMI accepted the revised arrangements. Light commercial vehicles were not included in the Plan at 57.5 per cent duty, foreign exchange provisions were established, the Government had stressed the constancy of policy by declaring it "non-negotiable", and quota allocation provisions were clarified. However, AMI

was reserved in its comments on the Plan. AMI/ Toyota managing director, Norm Atai, stated that the Plan "gave his company a responsibility to make cars more competitively" [40] and that "it was clear the policy was aimed at increasing efficiency in the industry" [41]. A company spokesman stated that "the Government's decision to set a clear long-term target that locally-produced cars should compete with imports without quota restrictions was a challenge the company accepted" [42].

Nissan, according to the then manager of Public Relations, Donald Alexander, welcomed "the Government's emphasis on using the industry's strengths, namely the growth of exports, to achieve economies of scale" [43] and "the measures would lead to greater efficiency and rationalisation of the industry" [44]. Nissan President, Takashi Ishihara, addressing Australian correspondents in Tokyo, stated that Nissan supported "the basic concept of the policy and will cooperate with the Government in promoting it" [45]. Ishihara also noted that the Nissan company believed that "policy should be consistant and stable over the long term" [46]. The company was concerned at the Government's desire to reduce the number of models and manufacturing 'entities', the quota allocations and the proposed increase in CBU import competition. The company was not in favour of a "guided" approach to model and manufacturing rationalisation arguing that "consumers should decide which models were retained under the Plan by voting with their chequebooks" [47]. Rationalisation, according to Ishihara, "should not be forced, but should come through the free exercise of market principles" [48]. The granting of quotas to Ford and GMH that could be sold to other importers represented, in Nissan's view, "a subsidy of millions of dollars" [49]. Nissan's main concern with the Plan, however, was with CBU imports. Ishihara put the parent company's concern bluntly: "if they

[the Australian Government] are to promote a motor industry in Australia they should shut off CBU imports into Australia ... If there is no prospect, we will consider pulling out of the market" [50].

MMAL managing director, Graeme Longbottom, stated that MMAL was "very supportive of the Plan and we are not anticipating it is going to instigate job reduction at Mitsubishi in the short term" [51] The company was satisfied with the quota allocations, the foreign exchange provisions and the exclusion of light commercial vehicles from 57.5 per cent duty. However, the 15 per cent export facilitation and the "rapid rate of change" in import competition were of concern to MMAL and it regarded the former as being "too much" and the latter too short. Longbottom, in response to speculation that MMAL would be tempted to leave Australian production, stressed that MMAL intended to remain in Australian automotive manufacturing.

3. The Political Economy of Australian Automotive Policy-Making.

As noted in chapter one, the sensitivity and contemporary nature of this subject precludes the provision of a sufficiently deep data base upon which to identify clearly-defined causal relationships between policy inputs and outputs. What can be provided is an analysis of the pattern of power and authority relationships involved in the policy negotiation process.

Power has been defined above in putative and actualised terms, that is, as a capability and as the exercise of that capability. Analytically, the assessment of the putative dimension of the power of the respective actors in

this case-study is facilitated by identifying the resource, relational and manipulative components of the actors' power bases. Resource components of power bases, to recap, include those attributes of an actor providing it with a general strength, those special features that offer an additional strength, and those creative or innovative characteristics that contribute to an actor's strength.

The Australian Federal Government's general strength, with respect to the formulation of automotive industry policy, resulted from the legitimacy of its authoritative position in Australian economic activity. Sternberger has defined legitimacy in this context as "the foundation of such governmental power as is exercised both with a consciousness on the Government's part that it has a right to govern and with some recognition by the governed of that right" [52]. As the discussion in Chapter Three indicated, the Federal Government had held a legitimate role in economic management as a result of Australia's colonial origins, Constitutional provision, and a post-World War II accretion of economic controls and responsibilities. The Federal Government's Constitutional responsibilities for currency, banking, domestic trading and common external tariffs were steadily augmented over the next eighty years by legislative action by successive Governments, agreement with the Australian State Governments and use of institutions such as the Loans Council and Grants Commission. Government involvement in industrial affairs, as a consequence of administrating tariff and industrial development policies, promoted long-standing relationships between the business community and Federal Government departments. The weight of precedent was, therefore, a significant factor in the automotive industry's acceptance (although of a resigned or reluctant nature among many multinational

corporate executives) of the Federal Government's legitimate role as a general 'economic manager' of the automotive industry in Australia [53]. On the Government's part, Senator Button expressed this belief in the Government's legitimate responsibility for industrial development in this industry in his statement to the Senate that "it is the Government's task to facilitate the process of change and to ensure that it is accomplished with minimum disruption and cost" [54]. The responsibility of Government to the automotive industry is reflected in the Car Industry Council Report's recommendation that "the Government announce an industry goal" to which the Plan Producers would work "in consultation with Government" and in the knowledge that their strategies were "in harmony with the Government's long-term aims for the industry" [55].

The Federal Government also drew additional strength from the weight of its electoral support in the 1983 Federal election. The election saw a 4.1 per cent overall electoral change in votes cast in favour of the Labor Party [56]. The public popularity of the Government remained high during the course of the negotiations over the automotive manufacturing Plan (Table 6.7). Moreover, the Government position gained considerably from the calibre of the officials and the Minister from the Department of Industry and Commerce involved in the negotiating process. In particular, Senator John Button, Minister of Industry and Commerce, held the respect of industry executives and was important insofar as he projected his personal vision of "cooperative competition" in the Australian motor industry [57]. The Government's bargaining position was also facilitated by establishing a policy-making forum of a task-oriented nature - the Car Industry Council - that focused attention upon those areas of agreement and disagreement and accelerated their resolution. By meeting 34 times in a

three month period the Council was able to promote momentum within the policy-making process. In addition, the Government's bargaining strength was enhanced by an absence of severe inter-departmental disagreements over the Department of Industry and Commerce policy line. Although the Treasury maintained reservations about such "grandiose schemes", the relevant departments of Industry and Commerce, Treasury, Employment and Industrial Relations, Trade and Prime Minister and Cabinet engaged in "a smooth consultation process" in which "differences were overcome". The policy was decided and accepted by the relevant departments well before Cabinet made its final decision in May 1984 [58].

For the motor vehicle manufacturers, their general strength in respect to automotive policy-making arose from their size and scope of operations in the Australian economy. In 1982-83, GMH and Ford Australia had combined sales of $A 2,567 million and the three Japanese firms had a total turnover of $A 1,439 million. The Plan Producers together employed approximately 32,655 people in 1982-83. These manufacturers were also responsible for significant purchases from Australian suppliers. In 1983, GMH spent $A 923,989 on materials, components and services [59]. Ford Australia spent a total of $A 15,017 on iron and steel, $A 2,293 on Aluminium, $A 15,903 on rubber, and $A 3,810 on plastic [60]. Together, these operations represented a major economic sector that could not be significantly affected by Government action without implications for employment, capital investment, technological development and supplier industries. Government policy adjustments, therefore, needed to be made within this complex context.

The respective power bases of the multinationals and the host Australian Government also drew upon relational power components. These included those

factors that gave rise to actors' control over their environments, influence resulting from their systemic positions and their invulnerability to attempts by the other party to exert influence. The Australian Government can be said to operate in two principal policy environments: internal and external. As noted in earlier chapters, the State in the international system is held to be domestically sovereign and externally equal. To reiterate the central problem for host Governments, multinational corporations that straddle national borders may be responsive to parent company decision-making centres located beyond the host Government's legitimate jurisdiction. In seeking to control domestic economic affairs by means of government authority and power, the Government is faced with inputs into the domestic environment from sources located beyond the reach of its direct control. For the Australian Government, policy initiatives for the Australian automotive industry reflected the authoritative domestic position of the Government and its more tentative external influence.

The exercise of Government authority in Australia is, as previously noted, based upon its constitutional, administrative and precedential foundations. This is augmented by the weight of electoral and popular support. The Australian Federal Government was aided further by the tenure of the ALP in the State Governments of Victoria, New South Wales, South Australia and Western Australia. Externally, the Federal Government's influence lay in the broad framework of economic, politico-diplomatic and legal arrangements to which Australia was a party. In the context of the American and Japanese corporations operative in the Australian automotive industry, Australia's relationships with their 'home' governments were embodied in the formal bilateral and multilateral treaties and in the interdependence of the three countries. However, as the analysis in Chapter Four suggested, the extent to which the Australian Government can be

Source: The National Times

said to exert significant influence upon these two Governments is limited as a result of the inherent asymmetries in the interdependent relationships. Both Hawke and Button undertook to explain and consult Japan's automotive multinationals' parent companies and the Japanese Government and officials of the Ministry of International Trade and Industry. In order to avoid disruptive parent company decisions, Button lobbied the Japanese in order to build an understanding of the Australian Government's policy measures. In addition to Australia's external economic and politico-economic avenues of influence, it also had recourse to institutions such as the ICSID and to the 1974 United Nations Charter of The Rights and Duties of States and OECD declarations on Multinationals and corporate malpractice in order to influence international opinion against 'rogue' multinationals.

According to an M.I.T. study, the world automotive industry is in its fourth transition since its inception and its history can be described validly as following the product cycle pattern of industrial development [61]. The M.I.T. study describes the industry as being characterised by small car, high volume production with low cost manufacture arising from technological advances. In this analysis the industry has been transformed by (1) computer-aided design and manufacture, that is, reducing the minimum scale of efficient production (2) new components technology that is making possible fuel-efficient vehicles (3) an accelerated pace in the competitive cycle of technological change and a persistent divergence in national markets [62].

Automotive manufacturing is dominated by a small number of very large corporations (Table 6.8). This results, partly, from the mass production nature of the industry whereby "substantially reduced production costs, per unit of

output, arose from enlarged production facilities and business enterprises [63]. Economies of scale accrue to such enterprises at the level of the production unit, the product unit, or the enterprise as a whole. International operations were developed by automotive enterprises in order to increase the use of capacity and to reduce unit costs of development and production. The domination of a small group of manufacturer's also follows from the barriers to entry arising from the large volume nature of the industry. Bloomfield argues that

> The small scale of markets and the early hegemony of the large world corporations have meant that few local manufacturers could survive, let alone grow, without very substantial protection from outside influences. Without the foreign influences, an indigenous manufacturer was also cut off from access to detailed technical knowledge, production and marketing expertise and capital investment [64]

Automotive company internationalisation is not new. In 1928 General Motors(GM) operated 19 plants in 15 countries and in 1929 Ford operated in 20 countries. Ballance and Sinclair argue that American overseas expansion in the automotive industry was due initially to the "defensive" reasons of overcoming the trade policies of those countries such as Australia to which they exported:

> The major US companies, then, were not willing multinationals ... they accepted the fact that in order to share in the anticipated growth of foreign markets they needed to set up operations inside the protective walls created by foreign governments [65]

The 1970s and 1980s brought disruptions to oil supplies, economic recession, the rise of Japanese automotive manufacturers as major world-wide competitors, a decline in the number of export markets, and a continuance of protectionism among countries. These problems stimulated a renewed concentration by automotive manufacturers upon methods to gain cost reductions and upon the minimisation of trade disruption. An important corporate response

to these problems during the 1970s was that of "process innovation" and an internationalisation of production:

> Increasing international integration of production has led to greater world-wide sourcing by transnational corporations of components and parts and the emergence of so-called "world cars", a basic vehicle incorporating all new product and process innovations, using common components that can be produced on massive scales in different plants in various countries to secure world markets [66]

GM and Ford followed this path to a much greater extent than did their Japanese competitors Toyota, Nissan, and Mitsubishi. The latter remained firmly-based upon their domestic Japanese manufacturing plants until the late 1970s when more substantial and widespread overseas production began to be established in direct response to host country threats to limit Japan's automotive exports.

However, such strategies were constrained by the problems of operating in a world of States. Although the 'world car' concept can be regarded as representing one of the more imaginative expressions of the multinational organisational concept, it was defeated by the complex plethora of national regulatory regimes preventing the establishment of the necessary open international trading system for the optimal performance of this strategy. Moreover, the persistence of heterogeneous national tastes and the sheer logistic problems involved, limited the operation of this strategy. Sinclair concludes that

> it is unlikely ever to be a significant modus operandi ... There are too many factors mitigating against the internationalisation of production in the 1980s to allow the concept - however attractive its intrinsic merits may be - to reach full fruition ... what is, then,

> likely to evolve among the world's car manufacturers is a commitment to some of the elements of the world car concept [67]

The M.I.T. study suggests that production has become increasingly concentrated at the point of final assembly in order to maximise benefits of 'just-in-time'(Kanban) inventory control and that final assembly is located near to final markets. As corporate strategies move towards more 'clustered' production formations, Salter and Fuller note five distinct trends: (1) rationalisation (2) global corporate perspectives (3) inter-corporate coalitions (4) strategic convergence among manufacturers (5) greater government involvement [68].

GM and Ford continue to operate their world-wide organisations on the principles adopted by Alfred P. Sloane in his 1920s corporate organisational revolution at GM. The Australian subsidiaries, as with all GM and Ford subsidiaries, fit into global infrastructures operating on Sloane's concept of "centralised direction and decentralised operations, each an autonomous profit-making exercise" [69]. However, Lall's 1983 study, commissioned by the United Nations Centre on Transnational Corporations, suggested that a major feature of these corporations' operations in the early 1980s was one wherein they were

> setting the pace in terms of investment and product development and new facilities, spreading their transnational network globally and moving towards a world-wide integration of operations. They will reap all possible economies of scale internally by producing a unified batch of world cars, and will locate plants so as to tap the major markets, safeguard each country's balance of payments by exporting as well as importing, economise on production costs and diversify risk [70]

GMH has been able to draw upon the resources of the world's largest automotive corporation and the world's third largest industrial corporation

[71]. GM Overseas Operations Division controls operations in thirty countries (complete vehicle manufacture in eight, Assembly in fourteen, and importation in ten). In 1983, GM reported total world-wide sales of $US 74,581 million of which non-North American operations accounted for $US 11,955 million. Across the world, GM employed approximately 691,000 people at a total payroll cost of $US 19,605 million. For GMH, the advantages arising from being part of this global enterprise have been most salient in the area of product development and particularly in terms of the GM world car strategy with GMH producing 4-cylinder engines for the GM 'J' car from 1983.

According to Lall, "a major part of GM's strategy consists in expanding its overseas facilities in an integrated framework for the production of world cars with unified project centres for the development of new models ... with minor local modifications, the passenger cars and CVs will be marketed globally and produced in large units scattered around the world" [72]. With $US 40 million allocated to 'J' car development over the 1981-85 period, production was to be located in eight countries including Australia (Diagram B). Complementation was regarded as an opportunity by GMH executives to escape the limitations of the Australian automotive market by drawing upon parent company corporate initiatives:

> we saw problems of introducing two more manufacturers into a very small market and felt that producing some components to a very high volume in Australia and then buying other components in high volume from overseas, was the only way we could become competitive. In dialogue with the Government, we saw they agreed. ... When the opportunity came up within the General Motors framework, where they were tooling up the J car on a worldwide basis, we said 'Here's our chance' ... Government supported us in the complementation idea. We were fortunate we had the opportunity because these things only come when you have a new model and a major re-tooling program and, if you miss the boat, it might be six or eight years before that model comes up again [73]

Clearly, with the establishment of export facilitation provisions, GMH's subsequent $A 300,000 investment in a new engine plant, and the corporation's rise to become Australia's leading exporter of manufactured goods, GMH's bargaining position was considerably strengthened. GMH drew bargaining capacity from the economic and social costs to Australia should the GMH facilities be closed as a consequence of Government policy decisions considered to be adverse by GMH and GM and requiring a transfer of these facilities to other countries. A removal of export facilitation provisions was considered to be one such potential decision. Although vigorously denied by company executives, negotiations over the revision of the Motor Vehicles Manufacturing Plan involving GMH representatives were surrounded by rumours and reports of implied threats of the closure of the engine plant if export facilitation provisions were removed.

GMH also drew some bargaining advantage as a result of the subsidiary's following of the lead of GM in entering into 'coalitions' with other major manufacturers in order to share production, design, or marketing of a model. GM had begun this strategy in 1971 with it's 34.2 per cent equity purchase in the Isuzu Motor Company of Japan. In 1983 GM concluded a twelve-year agreement for a joint venture (United Motors Company) with Toyota to produce Toyota-designed sub-compact passenger vehicles at Freemont, California. In the same year, GM was negotiating with the Daewoo Group of the Republic of Korea to invest $US 100,000 million into a sub-compact joint production venture and agreement was reached in 1984. In Australia, GMH began purchasing components from AMI, Nissan and Mitsubishi from the early 1970s. However, more substantial 'coalitions' within the Australian industry had to await GMH's re-badging of a Nissan-

produced vehicle (the Pulsar) in 1984. Given the Government's declared aim of greater cooperation among local manufacturers, the GMH-Nissan negotiations were clearly advantageous to those firms in their bargaining posture as policy changes by the Federal Government would have to take account of the complex pattern of relationships between the Plan Producers. Moreover, given the Government's declared objective of encouraging such arrangements, any suggestion on the part of the multinational subsidiaries that they would have to re-assess these relationships would represent a significant policy consideration for Government decision-makers.

Clearly, GMH derived relational power from the GM global network. The sheer size of the parent corporation (1983 profit of $US 3,730 million, capital expenditure of $US 4,000 million, and IR&D expenditure of $US 2,600 million) [74] and the scope of its international operations guarantees a decisive influence upon the automotive industry throughout the world. The political dimensions of this market power lie, principally, in the degree of organisational flexibility that accrues to the corporation as a result of its world-wide infrastructure. The capacity to 'go-elsewhere' should host country conditions be regarded as being unfavourable to a continued corporate presence is a major source of corporate bargaining power. GMH, as the largest of the Australian Plan Producers, would have found great difficulty in exercising such a bargaining tool. The scale of GMH operations would have represented a major obstacle as would corporate pride, a resultant loss of dealer and consumer confidence, the cost disadvantages involved in importing and the dangers to trade operations from future policy changes [75]. However, although it may not have been openly suggested during the Car Industry Council discussions, the view from Detroit was that withdrawal from Australia did represent one option

for the company. In this view, given that "the nationality of the subsidiary can be a problem" insofar as "sentiment can come before the rationality of the profit-motive" and that "GM produces in Australia for profit and stays because it is still a profitable market", "if costs escalate, such as by dropping export facilitation, then GM will import kits for assembly into Australia and there will be the closure of production plants" [76]. In 1986 (two years after the introduction of the manufacturing plan), following GMH's posting of a massive $A 98.9 million pre-tax loss for 1985 that raised the subsidiary's total debts to $A 782 million, GM mounted a $A 782 million 'rescue operation' that involved the paying of GMH's debts and the splitting of the car-making operations from the engine and components operations. Further intervention included a $A 100 million deal to supply engines to the US parent company thereby raising Australian plant use from 75 to 90 per cent. The division of operations raised questions of manufacturing rationalisation and possible mergers or closure. The evidence available does not suggest that the parental view expressed in 1983 was explicitly stated by GMH representatives to the Car Industry Council. Insofar as this position was already well understood by Government decision-makers, it would seem to have been unnecessary to openly reiterate it. Clearly, the ability of GMH to be a successful bidder within the "co-ordinated competition" of the GM global organisation significantly reflects the costs and benefits arising from the Government policy regime. In this sense, although GMH derived bargaining capacity from its parental global network, it was also potentially highly vulnerable to Government policy adjustments.

Ford has travelled a different path from GMH in its strategic response to the Japanese automotive challenge and to rapidly-rising production costs. Lall argues that

Our new plan is to have the company broken up into two sections
just like our present situation
UNK!
HOLDEN
GMH

> although Ford is highly integrated with respect to its production in Western Europe, it has not begun to integrate its global production to the extent that GM has. In particular it has compartmentalised its main regions, and left the developing countries - with the possible exception of Brazil- out of the world car strategy ... it is seeking collaborative agreements with Western European and Japanese producers to economise on development and component production costs, and is embarking on a global strategy for components [77]

Ford's strategy of compartmentalised international production and marketing has been based upon the company's world car project. The Escort 'Erika', introduced before GM's 'J'car, was Ford's attempt to take maximum advantage of its multinational character in order to benefit from a spread of costs over internationally-located production facilities. The Erika represented a move to an up-graded product located in the high-value, high technology segment of the automotive market. However, the less adventurous approach of Ford reflected company reservations about possible disruptions to international production and assembly arising from host government regulatory intervention and from the belief in limits to the benefits gained from integrated international production (Diagram C).

However, according to the then managing director of Ford Australia, Sir Brian Inglis, "such schemes have the virtue of parts interchangeability between countries, while preserving economies of scale and taking advantage of export facilitation type programs to reduce the extent of local purchase of components having high premium cost" [78]. Ford Australia is able to draw upon the financial, technical and human resources of the Ford Motor Comany. Ford was the fourth largest automotive manufacturer after GM, Toyota, and Nissan in 1983 and was the sixth-ranked industrial corporation in Fortune's 1983 world listing. The company had a world-wide net income of $US 1,866,900 million in 1983.

Approximately half Ford's production is located overseas with 71 per cent of this overseas production undertaken in developed countries. Ford Australia draws upon the specialist knowledge of the parent organisation, imports kits and components from the United States and Japan, and exports components and CBUs to New Zealand. One interviewee expressed the view that "multinationalism offers very significant benefits to Ford Australia and few, if any, disadvantages" [79].

Almost 41 per cent of Ford Australia's total registrations in 1983 were accounted for by Mazda-designed vehicles. Mazda is 25 per cent owned by The Ford Motor Company and Sir Brian Inglis, the former Chairman and Chief Executive of Ford Asia-Pacific, remained Chairman of the Board of Ford Australia and a Director of Mazda upon his retirement from the former positions. With the 'volume' range of vehicles covered by Ford Australia's links with Mazda, the company was able to concentrate upon developing the higher value, higher technological vehicles of the 'Falcon' range produced in Australia with high local content. Ford's continental approach restricts the breadth of export markets allowed to Ford Australia. However, the subsidiary gradually moved to exploit export facilitation provisions by building a $A 70 million 4-cylinder engine plant and a $A 4 million plastics plant. Moreover, the $A 41 million casting centre and $A 330 million Falcon AE26 (AE standing for the American and European markets wherein Ford Australia aimed to be able to sell the vehicle should the project be successful in the intra-Ford projects competition) project incorporating Australian design and manufacture would benefit from export credits and from design assistance measures provided by the Australian Government.

Ford Australia derived relational bargaining capacity as a result of these extra-Australian corporate links. Its world-wide organisational relationships with the Ford Motor Company provided the Australian subsidiary with a flexibility of commitment to local manufacturing. As with GM, Ford Asia-Pacific and its global parent in Detroit follow the rationality of the profit-motive rather than national sentiment. Host Government policy adjustments considered unfavourable by the company elicits a predictable response designed to minimise corporate risk. Inglis expressed Ford Australia's philosophy on company-Government relations in a 1980 address:

> companies in the automotive industry, will act in a perfectly logical way to any set of circumstances or rules imposed by our government. Companies are motivated by commercial interests and react to what may be perceived by most countries as national aspirations in a commercial way. ... The Government, however, is grappling with a balance of political judgement, economic realism and national objectives. To me at least, the stated objectives are inconsistant with the rules designed to accomplish the task, that is having high Australian content with low cost vehicles. However, the government is faced with a difficult choice of options amid the continuing debate on structural adjustment [80]

Inglis is correct. Companies do operate upon a commercial basis and Ford Australia's policy goals during the Car Industry Council discussions reflect this reality. However, Inglis avoids mentioning that, in pursuing these commercial interests, political implications follow. In the context of the 1983-84 discussions, it is evident that Ford Australia's decisions about an investment in an aluminium casting plant and in a locally-produced passenger vehicle were conditional upon the provision of a favourable policy environment. An awareness of these planned investments and the corporate assumptions about the importance of export credits, design and IR&D assistance and policy stability was a consideration in the assessment by Government decision-makers of their policy options [81]

This organisational flexibility should not be equated directly with an invulnerablity to Government influence. Like GMH, Ford Australia's ability to 'go-elsewhere' was limited by a number of major factors. Ford Astralia's operations represent a major corporate investment over the years. In 1980, the company announced a $A 300 million investment programme and an additional $A 13 million for the up-grading of the New South Wales Homebush plant. To withdraw or reduce local production would represent a substantial loss for Ford. Moreover, the company recorded a profit of almost $A 73 million in 1983 and held a 23.5 per cent market share [82]. To move to an importation strategy would have opened the company to the vagaries of Government tariff policy. Lastly, corporate pride and competitiveness as well as dealer and consumer confidence would have been heavily damaged by such action. The credibility to the Federal Government of the withdrawal option in Ford Australia's bargaining position was low. Governmental assessments of Ford Australia's position, therefore, were undertaken on the belief in a continuation of the company's local production role.

AMI-Toyota, Nissan and MMAL are more limited in their Australian production than are the American automotive multinationals. The smaller scale of the Japanese subsidiaries in Australia results from three factors. First, the parent companies have a strong preference for exploiting the comparative advantages for high volume automotive production in Japan and then exporting their production. Second, the 'tariff factory' raison d'etre of these subsidiaries, that is, their establishment as safeguards against unfavourable protectionist policies. Third, the high level of import penetration by Japanese companies. Like GMH and Ford Australia, the Japanese multinationals'

subsidiaries in Australia are both strengthened and weakened by their multinational character.

Australian subsidiaries of Toyota (AMI and Toyota Manufacturing Australia Ltd) have been able to draw upon the substantial resources of the Toyota Motor Company. In 1983, Toyota was the second-largest automotive manufacturer in the world producing over 3.2 million vehicles and holding just under 9 per cent of the world market. Toyota was ranked 18th in the 1983 Fortune list of the world's largest industrial companies with sales of $US 19, 741,094 million and a net income of $US 918, 421 million [83]. Nissan's Australian subsidiaries (Nissan Motor Manufacturing and Nissan Motor) are supported by the third largest automotive producer and 30th largest industrial corporation in the world. The Nissan Motor Company recorded sales of $US 15,697,733 million and a net income of $US 416,337 million [84]. MMAL forms part of the smallest of the automotive multinational manufacturers represented in Australia. Mitsubishi Motor Corporation was the 11th largest automotive manufacturer in the world and the fifth in Japan. The company did not rank among Fortune's 1983 list of the top fifty of the world's largest industrial corporations [85]

Lall's study noted that

> The highly competitive Japanese firms are starting to undertake transnational production somewhat reluctantly, since their home base remains, despite rising labour costs, the most efficient for them in terms of reaping scale, information and agglomeration economies. However, protectionist measures overseas are forcing a relocation of some production facilities. It will probably take a long time, nevertheless, before a truly transnational outlook develops and global integration and sourcing become acceptable [86]

Toyota, however, claim that they are not reluctant, only quiet about their expansion! In 1983, Toyota operated 27 plants in 19 countries and employed 22,000 people outside Japan. However, only five of these plants were manufacturing parts and complete vehicles. Australia was one of these five. Only the Australian subsidiary manufactured complete vehicles. However, with a 40 per cent share of the Japanese market, Toyota was seeking to maintain corporate growth through an expansion of its share of the world market. Toyota is pursuing GM's position of market leader. Toyota's initial goal was 10 per cent of the world market and 1984 was the first year of the company's "internationalisation" [87]. Toyota's Australian manufacturing subsidiary represented an investment of some $A 350 million in 1983 by the parent company and, according to one executive in Tokyo, part of Toyota's bargaining power in Australia lay in the technology, employment and products the Toyota was able to offer through it's AMI subsidiary. An additional $A 250 million investment was being considered during 1983 for the 1985-1990 period. Moreover, AMI exported components such as cylinder heads to Japan under the export facilitation provisions [88]. The relatively small scale of the Toyota manufacturing operations in Australia and the firm export base in Japan make it more feasible for the company to withdraw from the market than for the American firms. Some bargaining capacity can be said to have accrued to the corporation in this respect. However, to offset this factor, the company was vulnerable insofar as the company's investment was not, in absolute terms, insignificant and a withdrawal would have amounted to a costly exercise. The company also had to bear in mind that the Government's spokesmen had declared their desire to see a rationalisation of local manufacturing capacity and any use by AMI-Toyota of withdrawal or manufacturing run-down as a bargaining counter could have back-fired upon it through a Governmental acceptance of this action! In addition,

Toyota placed substantial value upon its Australian operations because Australia was it's third largest market after America and Europe, the company used it's Australian operations as a "learning experience" for it's internationalisation strategy, and the Australian market competition was an extension of the intra-Japanese corporate rivalry.

Nissan operated 23 plants in 20 countries in 1983 and was the most internationalised of the Japanese multinationals. Nissan's internationalised production strategy represented an investment of $US 770 million by March 1983. In 1982, Executive Vice-President Masataka Okuma stressed that "Nissan is taking a positive stance in promoting its overseas strategies on a global basis" [89]. President Takashi Ishihara argued that "it is impossible for us to think only in terms of the Japanese market. We have to think of the global market ... We are more interested in what percentage of the global market we can get than what percentage of the Japanese market we may or may not have" [90]. This international production strategy spurred direct investment in the United States and Britain and cooperative ventures with Volkswagen and Alfa Romeo. However, the world car concept was not adopted by Nissan as it was believed that the free-trading system did not exist and consumer tastes were too heterogeneous. Okuma argued that Nissan and the other Japanese automotive producers should limit their exports from Japan, establish overseas manufacturing plants, cooperate in local content plans, and

> pursue cooperative arrangements with foreign automakers which transcend national boundaries, if and when it would be mutually beneficial or show potential for boosting the competitive position of each. Possible cooperation could take the forms of technical tie-ups, joint production and parts complementation, intended to achieve improved economies of scale [91]

Nissan Australia gained financial, product and manufacturing flexibility as a result of its multinational dimensions. With low profitability, the "Bank of Nissan" was available to cover the deficits incurred by the subsidiary. Product design has been derived from Japan with additional overseas design work undertaken in the United States and Australia. With 'Completely Knocked-Down Kit' exports representing 56 per cent of Nissan's Japanese production and Australasia accounting for 24 per cent of these ckd exports, Nissan Australia had a firm base from which to export to Australia. Nissan's import quota stood at 12,000 units for 1983 and, of it's 12 per cent market share, 3.2 per cent was contributed by CBU imports. Moreover, Nissan's $US 770 million investment in overseas facilities resulted in alternative production centres to Australia being established in the United States, Europe, South-East Asia and New Zealand.

Nissan Australia's management were confident that the company's commitment to Australian manufacturing would provide it with bargaining capacity during the Car Industry Council negotiations. An investment in a new design and technical centre in Victoria, a demonstrated willingness to enter into components-sharing and complementation, and a significant export record were felt to support Nissan's position. Clearly, however, Nissan's bargaining strength was not of the same order as that of the American corporations. The relatively small scale of the company's operations compared to those of GMH and Ford and the significant import component of its operations gave it some breadth of options with respect to the company's response to the Council's discussions. At the same time, however, Nissan's commitment to remain in Australian manufacturing served to restrict the effective choice for the company in its response to the Australian Labor Government's policy initiative.

MMAL, as the smallest of the Australian producers, was under the severest pressure from community expectations to cease local manufacturing and to become a sole importer. The parent, Mitsubishi Motor Corporation, held 3 per cent of the world market in 1983 and was less international in its production strategy than its competitors. MMC's plants in Australia, Indonesia, Malaysia, The Philippines, Zambia, Portugal and Britain are oriented towards their host markets rather than to a globalised network. MMC was, however, the first Japanese automotive manufacturer to enter into technical and trading arrangements with an overseas producer. The 1971 purchase by Chrysler of a 15 per cent equity holding in MMC was made despite opposition from MITI and it allowed MMC access to the international marketing and production infrastructure of the American company. This provided MMC with globalisation on the cheap, a point finally accepted by Chrysler only in the 1980s! With Chrysler's financial problems in the late 1970s came the opportunity for MMC to takeover Chrysler's ailing Australian operations in Adelaide. MMAL held the smallest market share of the Plan Producers (10.2 per cent) in 1983 with just under 1.0 per cent represented by CBU imports and 6 per cent represented by all MMAL vehicle imports. The company gained financial and managerial assistance from it's parent company and the latter's principal shareholder, the Mitsubishi Corporation. This link with the giant Mitsubishi corporate family, the finances of the Mitsubishi Bank, the transport services of the Mitsubishi Shipping Company and the trading advice of the Mitsubishi Corporation itself, are powerful resources upon which to draw. MMC provides technical transfers such as technology designed to meet changing Australian controls. Like the other Japanese subsidiaries in Australia, MMAL's small scale of local operations gives it a degree of flexibility to withdraw if it deemed it necessary to do so. At the same time, it is vulnerable to Government policy changes designed to

pressure Plan Producers to rationalise their operations. However, MMAL is a major employer and purchaser in South Australia and the loss of this company from the South Australian economy would have been a major setback to the State, to the Labor Government of John Bannon, and to the ALP in power in Canberra. The bargaining power of MMAL, although not strong, was sufficient to attain the limited core objectives of the company in the Council negotiations.

The Federal Government, through its Department of Industry and Commerce senior public servants and ministerial advisors, sought to employ its putative power base by means of a strategic mix. The Government's representatives had a number of options available with which to coerce the corporate actors into following the Government's policy line. Most obviously, the Government decision-makers were aware that the Plan Producers could be denied assistance under the Plan. The level of tariff protection could have been reduced drastically over a short period of time; the post-1984 import quota could have been substantially raised; the local content requirements could have been raised to the levels of the 1960s or export facilitation could have been removed. All these bargaining 'sticks' would have incurred costs to the host Australian Government. Like the strategy of deterrence, the strength of these options lay in their non-use, that is, in the credibility to Plan Producers of the Government's willingness to accept the costs of these measures and to use them to achieve Government policy objectives. Government negotiators stressed the benefits to the industry of a period of gradual adjustment, of reductions in Government assistance over a period of years, of corporate self-reform through rationalisation and co-operation, and the rewards of IR&D grants, export credits and foreign exchange provisions that could all follow from accepting the Government's goals. Sanctions remained in the background of the negotiations [92].

Positive, or non-coercive Government strategies included the demonstration of support for the needs of the industry. The establishment of a Council to hear and address industry problems was a demonstration of support for consultation in the policy-making process. Positive benefits and assistance measures were offered to the Producers for their cooperation. The Government also sought to persuade the multinationals that it was in their own self-interest to follow the line of the Government's objectives. The use of the Council to place time constraints upon the negotiations was a calculated tool of the Government's bargaining approach. The Australian negotiations were facilitated by the consultations with parent company executives and home country Government officials undertaken by Button and Hawke. By broadening the range of consultation and understanding the Government sought to facilitate the passage of policy revision. The mix of coercive and non-coercive bargaining strategies undertaken by the Government maximised its bargaining position and extended its influence over the multinational corporations. These strategies facilitated the translation of the Governments power base into actualised power over the multinationals and established the policy regime outlined above that was favourable to the Government.

The multinational's mobilisation strategies reflected the basic strength of the Government's bargaining position and the constrained nature of the multinationals' actualised power. Corporate coercive sanctions rested upon the threat to scale-down their operations in Australia if the revised arrangements did not satisfy their corporate goals. Government decision-makers were well-aware that a removal or reduction in export facilitation would lead to the transfer of the GMH engine plant overseas. Truncated production was an implicit theme in Ford Australia's strategy. The company's well-signalled deliberations

upon investment plans for aluminium casting and vehicle development were obviously contingent upon a favourable outcome to the Government's policy review. For the Japanese corporations, withdrawal from local manufacturing required a major and immediate change in tariff and quota levels. Given the Government's objective of reducing the number of manufacturing entities, a decision to withdraw by one of these firms would have been welcomed by the Australian Government. However, the determination of these firms not to leave the Australian market for inter-corporate competitive reasons reduced their effective bargaining power. Non-coercive strategies of these multinationals followed the avenues of participation in the multilateral discussions and in bilateral negotiations with the Government decision-makers. The use of incentives or inducements to Government to follow certain policy-routes can be regarded as an additional characteristic of the suggestions of future investment and project development in Australia. Overall, the ability of the multinationals to translate their putative power bases into effective actualised power was only partial and that the balance of bargaining power lay with the host government.

CHAPTER SEVEN

MULTINATIONAL CORPORATIONS AND AUSTRALIA: BARGAINING RELATIONSHIPS

Three aims were established for the study in Chapter One:

1. the identification of the way in which a host government and foreign-owned manufacturing multinationals relate to each other in bargaining relationships

2. the assessment of the distributive pattern of power and authority in this relationship and an assessment of the independence of the Australian Government's policy-making process

3. the evaluation of the viability of the modern State in the contemporary international system.

The introduction to the study also advanced a number of propositions for examination. These were that firstly, the balance of bargaining power between multinationals and host governments is to the advantage of the governments in the initial stages of their relationship and to the advantage of the corporations in the mature stage of their relationship. Secondly, the distribution of power and authority at each stage of the relationship reflects the respective power bases of the actors, the degree of symmetry in the balance of mutual need, and the international context of the relationship. Thus, it was proposed, the power bases, weight of need, and international context all favour host governments in the early stages of the relationship but then favour multinationals by the later stages. The independence of the Host Government's policy-making process is, therefore, more substantial in the early period and less substantial in the late period. Thirdly, the viability of the modern State is not undermined by the operations of multinational corporations as the system of States exerts fundamental limits upon the actualised power of these corporations.

The study, in assessing these propositions in the light of the Australian experience, offers the following conclusions. First, contrary to the proposition advanced at the beginning of the study, the balance of bargaining power between multinationals and host governments is in favour of multinationals in the initial stages of the relationship with host governments and in favour of host governments in the mature stages. Second, following from the first finding, the study supports the view that the power bases, weight of need and international context of these relationships are initially advantageous to multinationals and then later to host governments. Third, the study suggests that the proposition that the viability of the modern State is not compromised is correct.

(a) The balance of bargaining power rests with manufacturing multinationals initially and with host governments latterly.

The Australian experience indicates that, during the initial stages of the host Government's relations with manufacturing multinationals, the balance of bargaining power lay with the multinationals. It was not until the multinationals had gained a sizable hold in the host economy that the host Government was able to translate its putative power base into influence or actualised power. Potentially, the Australian Government was able to draw upon its legitimate authority to restrict entry of foreign corporations into the Australian economy. Moreover, the desire to retain access to the Australian market on the part of the multinationals could have bolstered the Government's position. However, as the analysis of the Australian automotive industry in the 1920s and 1930s (Chapter Five) indicated, the position of the Australian Government was relatively weak with respect to the American automotive manufacturing multinationals. The host Government was required to undertake to

provide tariff protection for the subsidiaries locating in Australia during their 'infant' stages of growth. The Government's desire for the financial, material and technical resources of these corporations undermined its capacity to effectively threaten to refuse or limit entry to these multinationals to the Australian market. The automotive multinationals, whilst seeking to retain access to the market, were not strongly motivated to establish significant local manufacturing operations without Government concessions in the form of tariff protection. The bargaining relationship had, however, changed by the 1980s (Chapter Six). By 1983, the Australian Government had improved its bargaining position. The significant stake of the multinationals in the Australian economy made it costly for them to withdraw from Australia. Moreover, inter-corporate competitive pressures restricted the corporations' bargaining capacity. The Government's willingness to pursue industrial development strategies involving manufacturing rationalisation also strengthened its bargaining capacity.

(b) <u>The power bases, weight of need and the international context to bargaining favours the multinationals initially and the host Government latterly</u>.

At any particular point in time, the power bases of manufacturing multinationals operating in Australia will reflect the size and scope of the corporations' operations in the host economy. Chapter Three indicated that the level of foreign ownership and control in the Australian manufacturing sector steadily increased to some of the highest levels in the OECD. During the first three decades of the twentieth century, the involvement of foreign economic interests principally took the form of portfolio investment and, in corporate terms, trading relationships. As American manufacturing multinationals sought to

expand their production overseas, partly in response to tariff pressures, they could afford to allow Governments to compete for their direct investment by means of rival incentive schemes. The expansion of manufacturing multinationals' operations in Australia during the remainder of the century brought significant economic power to these corporations. It was difficult for Australian Government's committed to industrial development through import substitution and protectionist assistance to change policy direction without reference to the largely multinational nature of the manufacturing base.

However, this corporate power was counter-balanced by the improvement afforded to the host Government's bargaining position by the development of the country's industrial base and the 'hostage' nature of the multinationals' substantial operations. The need of the Australian Government for access to the know-how and corporate infrastructures of the multinationals was still significant, but the need was less urgent by the 1960s and emergent pressures for a departure from import-substition and reduction in tariff assistance were enhancing the Government's ability to exert bargaining influence over the multinationals. Chapters Three and Six indicated that, by the 1980s, this trend had strengthened and that the bargaining capacity of the Federal Government had gained considerably. The adoption of an import-competitive, export-oriented industrial development strategy linked with substantial gradual reductions in tariff protection facilitated this change in the balance of need.

Clearly, the foregoing analysis indicates that the international context of the corporate-government relationship is important. As Chapters Two indicated, manufacturing multinationals possess the capacity to locate or transfer their production units around the world as the company's global strategy dictates and

as the comparative advantages of host economies change. During the early stages of corporate location, the existence of competing national claims enhances the bargaining capacity of the corporation in relation to governments. In Australia, the automotive multinationals were able to elicit guarantees of tariff and financial assistance in return for their establishment in Australia. For the Australian Government, at this time, its principal international relations were with the United Kingdom and the United States. In economic and political terms, Australia was tied to these countries in relationships that were overwhelmingly asymmetrical in nature with Australia dependent upon these external sources of capital, traded goods, know-how, and markets for its continued industrial development. This pattern of relationships made it both natural for Australia to favour enterprises from these countries and difficult to exert too independent a bargaining approach (Chapter 4). In the post-1945 period, the economic rise of Japan and the continued growth of United States direct investment, maintained international interdependent constraints upon Australian Government policy-makers (Chapter 4).

The ability of the Australian Government to successfully exert bargaining influence over manufacturing multinationals in Australia during the 1980s is based upon the Government's desire to integrate the Australian economy into the international economy to a greater degree than hitherto has been the case. By gradually dismantling the autarkic protectionist regime, the Government sought to integrate Australian manufacturing production (given its high levels of foreign ownership and control) into the international production strategies of the multinational corporations. The multinationals, caught between a desire to remain in Australian manufacturing and a need to adjust to Government pressures to reduce protection to these firms, have found their bargaining position

weakened. To a significant extent, the multinationals operating in Australia have had as their rationale the existence of a protectionist policy regime and the operation of the parent corporations' international production strategies have been based upon the differences in various host economies arising from host Government policies. In Australia, the extensive Government assistance to the automotive industry facilitated the local subsidiaries' participation in their parents international production projects. In other words, the multinationals on a global level benefit from the existence of a complex world of competing national policy regimes as they can take advantage of the shifting pattern to target production in these countries for the period in which an advantage continues to accrue to the multinational. The subsidiaries of multinational manufacturers operating in Australia thus face a dilemma of direction in the 1980s. The inter-State interdependent constraints upon the host Australian Government are thus, to some extent, counter-balanced by the more severe constraints acting upon the manufacturing multinationals. The balance of bargaining power during the mature stages of the multinational-host government relationship is, therefore, more favourable to the host government than to the multinationals.

(c) <u>The viability of the modern State is not compromised by the operations of manufacturing multinationals in the conteporary international system</u>.

'Viability', to recap, was defined in Chapter One as "the underlying capacity of the State to persist over time as a going concern and on a basis which is more or less satisfactory to its rulers and/ or its inhabitants". It is evident from the study that the capacity of the Australian State to persist is not being undermined by the operations of multinationals. What is it that

ensures that a State will persist over time as a going concern? Many factors can be considered in this respect. However, three of the most important will be considered here: economic durability, national territorial and governmental integrity and national will.

The economic durability of the State is discussed with respect to the de-industrialisation debate. Are multinational corporations denuding Australia of its industrial base? The argument has been advanced by some observers that the multinationals are rapidly 'retreating' from Australian production as a response to the development of their international production strategies and that they are creating a new international division of labour wherein Australia is likely to be reduced to the status of a gigantic sheep-run [1]. The argument continues that the Australian Government, in pursuing an import-competitive, export-oriented, low-tariff industrial development strategy, is colluding with the multinationals and deluding itself into believing that the multinationals will retain a manufacturing presence in Australia of any substance once their protectionist raison d'etre is removed. On the surface, the argument is persuasive. The size of multinational manufacturing operations in Australia has been declining since the mid-1960s. However, the negotiations over the post-1984 arrangements for the automotive industry indicated the strength of the multinationals commitment to the Australian market for the long-term. The desire on the part of the Government to change to an industrial development strategy that emphasises a more integrated relationship between the Australian economy and the international economy has been a response to the competitive pressures of the NICs, the rising costs of protectionism, the continuing growth in unemployment in the most highly protected industrial sectors and stagnating, inefficient manufacturing firms. A degree of industrial rationalisation and de-

industrialisation is an integral part of structural adjustment whereby industries with little or no comparative advantage are steadily superceded by new industries. The Australian Government in the mid-1980s sought to use changes in the international production strategies of multinationals to achieve structural adjustment within the Australian economy and to integrate the Australian economy into the international economy.

National territorial and governmental integrity is considered in the context of economic and political non-coincidence. Hymer, building upon an intellectual tradition that included such writers as Bukharin, argued that national economic units were being superceded by an integrated international economy through the development of multinational corporate networks. This was creating tensions between the political unit of the State and the new global economic unit. National political control was, therefore, increasingly non-coincidental with the key determining forces of economic development [2]. Thus, the Australian Government is faced with the problem that the limits to Governmental power are the State's territorial boundaries whilst the determinants of the national economy's development increasingly lie beyond these boundaries. This argument, whilst providing some insights into the political economy of the national-international relationship, is misleading. The Australian experience examined in this study suggests that the nature of the multinational corporation is misinterpreted by the non-coincidence argument. Manufacturing multinationals are not pure 'transnational' entities. Chapter Two indicated that these enterprises are literally multi-national in the sense that they operate within the framework of a world of States and the national regulations that accompany it. The international production strategies are a

reflection of the realities of the world of States and the viability of these strategies is based upon the multinationals' legitimate exploitation of the differences among the States.

National will encompasses a wide spectrum of factors. However, it is used in the present context to refer to the degree of legitimacy associated with the national system of government. The question to be answered in this context is how far manufacturing multinationals undermine the capacity of the State to endure "on a basis which is more or less satisfactory to it's rulers and/ or it's inhabitants"? The study of Australian experience in Chapter Three suggests that the Federal Government performs an economic management function on the basis of a broad popular domestic consensus. As private foreign-owned and controlled entities, manufacturing multinationals face the problem of not being held to be legitimate repositories of national economic well-being. The study shows in Chapter Six that the automotive manufacturing multinationals accepted the legitimacy of the Federal Government's economic management role in the development of the Australian automotive industry and sought to work within the framework of Governmental policy direction.

In conclusion, any extrapolation from such a narrow study is, naturally, fraught with difficulties. This final discussion has attempted to draw together the main points raised by the analysis, answer the central questions posed at the outset of the study and to relate these to the general body of thought on the subject of multinational-host government relations. Overall, the study of the Australian experience supports the view that the balance of bargaining power lies with manufacturing multinationals during the time of entry and early stages of penetration of the host economy, that the balance gradually moves in

favour of the host government as the involvement of the multinationals grows and the relationship matures, and that at no stage of the multinational-host government relationship is the essential viability of the State undermined to a degree that the continuation of the State as the principal unit in the international system is threatened.

APPENDICES

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TABLES, DIAGRAMS, EXHIBITS

Table 1.1 Book Value of the Foreign Investments of the Principal Countries in the World (1914)

Home Country	Breakdown (Per Cent)
United Kingdom	45.5
West Germany	10.5
Switzerland	-
France	12.2
Netherlands	-
Sweden	-
Belgium-Luxemburg	-
Italy	8.7
Total Europe	76.9
United States	18.5
Japan	0.1
Canada	1.0
Total	96.5
Other Countries (Est)	3.5
General Total (%)	100.0
($US Bn)	14.3

Source: M.Ghertman, M.Allen, An Introduction To The Multinationals, IRM/ Macmillan, London, 1984 edn., p.15

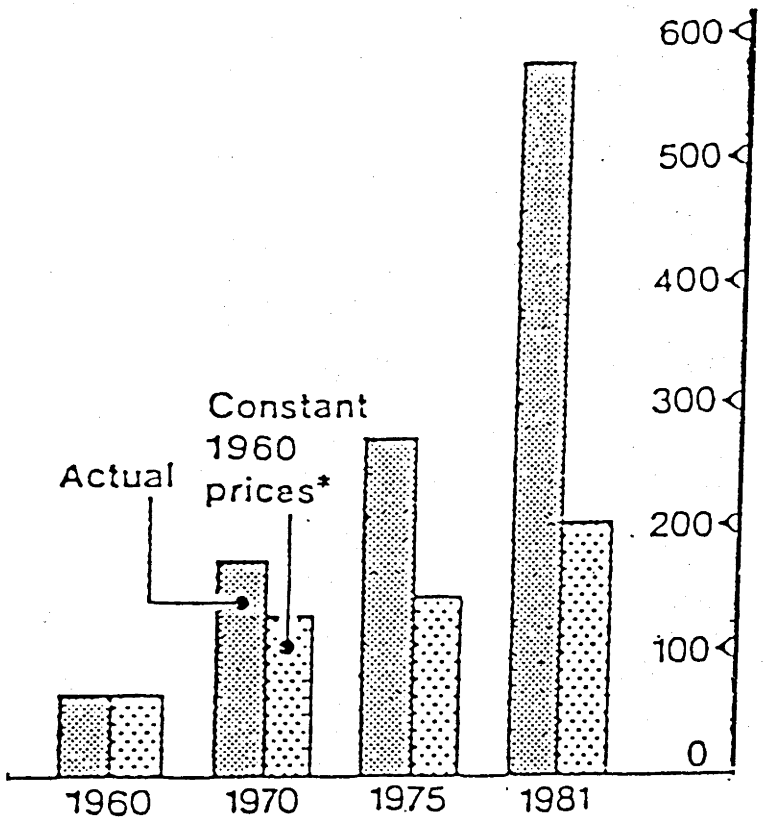
Table 1.2 **Stock of Direct Investment Abroad of Developed Market Economies, by Major Country of Origin, 1967–1978**

Country of origin	Billions of dollars, end of 1967	1971	1973	1975	1976	1977	1978
United States	56.6	82.8	101.3	124.1	136.8	149.8	168.1
United Kingdom	17.5	23.7	26.9	30.4	31.8	36.8	41.1
Germany, Federal Republic of	3.0	7.3	11.9	16.0	19.9	24.8	31.8
Japan	1.5	4.4	10.3	15.9	19.4	22.2	26.8
Switzerland	5.0	9.5	11.3	17.6	25.4	25.4	24.6
Netherlands	11.0	13.8	15.4	19.0	20.3	21.9	23.7
France	6.0	7.3	8.8	11.1	11.9	13.1	14.9
Canada	3.7	6.5	7.8	10.4	11.4	12.1	13.6
Sweden	1.7	2.4	3.0	4.4	5.0	5.6	6.0
Belgium–Luxembourg	2.0	2.4	2.9	3.6	3.9	4.8	5.4
Italy	2.1	3.0	3.2	3.3	2.9	3.1	3.3
Total above	110.1	163.1	202.6	255.8	288.7	319.6	359.3
All other (estimate)	4.0	5.0	6.0	7.2	7.8	9.5	10.0
Grand total	114.1	168.1	208.6	263.0	296.5	329.1	369.3

Country of origin	Percentage distribution 1967	1971	1973	1975	1976	1977	1978
United States	49.6	49.3	48.6	47.2	46.1	45.5	45.5
United Kingdom	15.3	14.1	12.9	11.6	10.7	11.2	11.1
Germany, Federal Republic of	2.6	4.3	5.7	6.1	6.7	7.5	8.6
Japan	1.3	2.6	4.9	6.0	6.5	6.7	7.3
Switzerland	4.4	5.7	5.3	6.7	8.6	7.7	6.7
Netherlands	9.6	8.2	7.4	7.2	6.8	6.7	6.4
France	5.3	4.3	4.2	4.2	4.0	4.0	4.0
Canada	3.2	3.9	3.7	4.0	3.8	3.7	3.7
Sweden	1.5	1.4	1.4	1.7	1.7	1.7	1.6
Belgium–Luxembourg	1.8	1.4	1.4	1.4	1.3	1.5	1.5
Italy	1.8	1.8	1.5	1.3	1.0	0.9	0.9
Total above	96.5	97.0	97.1	97.3	97.4	97.1	97.3
All other (estimate)	3.5	3.0	2.9	2.7	2.6	2.9	2.7
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

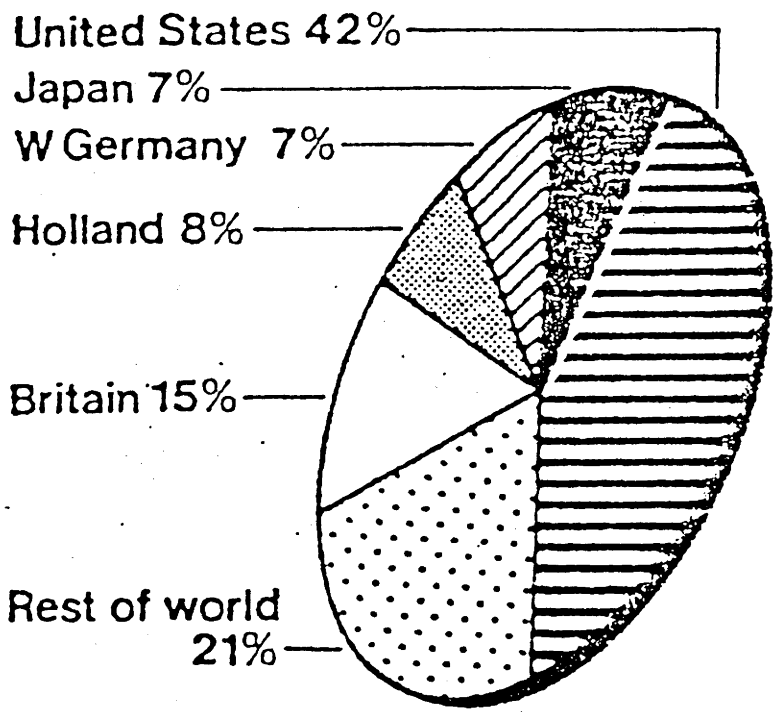
Source: J.M.Stopford, J.H.Dunning, K.Haberich, The World Directory of Multinational Enterprises, Macmillan, London, 1980, p.xv

Table 1.3 Total Stock of Direct Foreign Investment 1960-1981



Source: The Economist, Febuary 19, 1983, p.84

Table 1.4 Shares of Stock of Direct Foreign Investment in 1980, By Investors From:



Source: The Economist, Febuary 19, 1983, p.85

Table 1.5 Host Countries For Foreign Investment 1914, 1971, 1978

Host Country and Group	1914	1971	1978
Total Value of Assets ($US Bn)	19.3	166.3	361.6
Breakdown of Assets (Per Cent):			
Developed Market Economies:	37.2	65.2	69.6
Canada	5.7	16.8	11.9
United States	10.3	8.4	11.7
United Kingdom	1.4	8.1	9.0
Other Western European	6.4	20.4	28.7
Other European	9.9	neg	neg
Other Countries	3.4	11.5	8.3
Developing Countries:	62.8	30.9	27.8
Latin America	32.7	17.8	14.5
Middle East	2.8	2.1	2.3
Other Countries	27.3	11.0	11.0
Total	100.0	100.0	100.0

Source: M.Ghertman, M.Allen, An Introduction To The Multinationals, IRM/ Macmillan, London, 1984 edn., p.16

Table 1.6 (a) Inflows of foreign direct investment by country and region, 1970-1980
(Millions of dollars)

Country and region	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Developed market economies											
Australia	898.0	1 148.4	1 042.3	136.3	1 334.9	433.5	1 054.1	1 150.0	1 658.9	1 678.3	2 124.1
Austria	95.0	79.2	77.1	107.3	172.0	99.6	107.4	124.9	157.8	192.5	239.5
Belgium	318.0	446.3	386.5	718.9	1 137.7	958.0	871.7	1 273.8	1 429.8	1 134.4	1 547.5
Canada	666.0	929.8	625.4	825.0	862.3	709.1	-191.7	1 030.9	1 184.4	1 606.5	622.1
Denmark	104.0	125.4	163.9	212.2	...	267.1	-190.5	75.9	88.9	103.4	...
Finland	18.0	25.1	36.9	13.1	34.9	68.0	58.9	47.9	33.8	27.1	28.6
France	622.0	525.6	687.3	1 126.6	1 853.3	1 555.3	1 062.2	2 021.0	2 919.7	2 537.5	3 249.9
Germany, Fed. Rep. of	595.0	1 131.4	1 932.6	2 026.6	2 140.7	692.1	1 073.7	840.6	1 540.0	1 111.1	1 119.3
Greece	50.0	42.1	55.4	62.0	67.3	24.3	10.4	24.5	17.5	19.4	74.2
Iceland	5.0	20.1	3.3	-1.2	13.2	42.5	4.6	4.7	7.5	2.6	23.4
Ireland	32.0	25.1	31.5	52.5	51.7	159.1	173.2	135.4	375.6	337.2	...
Italy	606.0	518.5	1 803.4	619.9	600.1	631.4	95.8	1 138.3	509.6	360.5	-744.5
Japan	94.0	209.6	162.9	-35.8	204.4	230.7	115.5	23.4	12.5	232.6	273.3
Netherlands	537.0	585.7	603.7	858.3	952.5	977.4	349.8	359.6	671.1	1 200.3	1 241.7
New Zealand	23.0	55.2	83.6	-32.2	166.0	193.0	179.0	168.1	12.5	33.6	37.7
Norway	64.0	94.3	120.5	208.6	346.4	214.9	372.9	765.9	485.8	399.2	58.6
Portugal	...	...	72.7	95.4	105.8	115.3	52.0	49.0	56.3	47.8	114.5
South Africa	335.0	259.8	117.3	27.4	692.7	184.6	18.5	-121.4	-127.7	-484.5	...
Spain	222.0	201.6	266.2	389.8	358.4	307.2	221.7	520.7	919.0	1 397.9	1 492.9
Sweden	108.0	83.2	67.3	72.7	75.8	80.1	4.6	80.6	71.4	112.4	251.2
United Kingdom	850.0	1 078.2	1 017.3	1 783.4	1 997.6	1 364.7	1 453.5	2 310.5	2 501.5	3 881.2	4 885.9
United States	1 464.0	366.1	955.4	2 801.5	4 762.5	2 634.7	4 341.0	3 712.7	7 900.1	11 860.6	10 854.8
Sub-Total	7 906.0	7 950.6	10 314.2	12 070.3	17 930.2	11 942.4	11 238.1	15 737.0	22 425.8	27 793.5	27 494.8
Developing countries											
Latin America	815.0	1 555.6	1 019.5	2 389.0	1 894.2	3 428.8	1 749.1	3 082.3	4 059.0	5 396.7	5 249.1
Africa	369.0	852.5	570.0	603.2	689.1	302.3	431.8	678.3	565.9	2 028.4	2 187.9
West Asia	142.0	-133.4	192.2	-466.5	-3 557.4	2 288.7	-1 066.4	1 056.6	855.1	-980.6	-3 097.6
South and East Asia	486.0	561.7	780.6	1 425.8	1 445.6	1 709.6	1 690.2	1 437.2	1 888.0	2 266.8	3 230.4
Europe	22.0	27.1	22.8	26.6	39.7	35.2	46.2	59.5	78.9	87.9	84.6
Sub-total	1 834.0	2 863.5	2 585.1	3 978.1	508.7	7 764.5	2 830.9	6 313.9	7 446.9	8 819.2	7 654.3
Total-listed countries	9 740.0	10 814.1	12 899.3	16 048.5	18 438.9	19 706.9	14 069.0	22 051.0	29 872.7	36 612.7	35 149.1

Source: UN, Transnational Corporations In World Development: Third Survey, NY, ST/ CTC/ 46, 1983, p.286

Table 1.6 (b) Developed market economies: outflows of foreign direct investment by country, 1970-1980
(Millions of dollars)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Australia	111.0	104.3	124.9	205.0	247.7	161.5	269.0	251.0	231.6	317.8	482.9
Austria	11.0	36.1	28.2	35.8	21.6	29.1	57.7	85.2	83.9	85.3	100.2
Belgium	156.0	180.5	177.0	268.2	478.7	235.5	352.1	463.5	557.1	1 335.9	204.3
Canada	300.0	241.7	405.0	764.2	829.8	876.0	869.4	1 506.1	2 485.2	2 372.1	2 994.8
Denmark	29.0	52.2	147.7	97.8	...	76.9	-63.5	161.1	32.6	...	...
Finland	52.0	46.1	60.8	15.5	28.9	25.5	30.0	72.4	62.6	125.3	130.2
France	373.0	397.2	595.0	934.6	781.7	1 578.4	1 648.7	1 113.8	2 024.5	2 029.7	3 023.5
Germany, Fed.Rep. of	873.0	1 045.1	1 563.4	1 669.0	1 924.2	2 015.5	2 459.1	2 230.0	3 618.3	4 638.3	4 529.3
Italy	110.0	400.2	215.0	259.9	200.8	346.0	160.5	551.1	169.0	542.6	-564.4
Japan	355.0	360.1	727.4	1 895.5	1 876.1	1 760.5	1 965.8	1 634.5	2 366.3	2 894.1	2 394.8
Netherlands	519.0	440.3	731.8	913.2	1 712.6	1 647.6	1 116.7	1 516.6	1 759.1	2 160.9	2 689.0
New Zealand	1.0	-1.0	8.7	-1.2	1.2	3.6	...	5.8	3.8	-12.9	-39.0
Norway	32.0	32.1	...	50.1	147.9	171.2	192.8	124.9	63.9	43.9	252.5
Portugal	...	...	6.5	44.1	37.3	8.5	5.8	2.3	6.3	-11.6	13.0
South Africa	17.0	29.1	19.5	50.1	114.3	121.4	32.3	67.7	259.2	9.0	...
Spain	43.0	25.1	36.9	52.5	85.4	91.1	54.3	140.1	131.5	220.9	311.1
Sweden	213.0	175.5	263.8	294.5	425.7	435.9	596.9	735.5	415.7	617.6	619.5
United Kingdom	1 310.0	1 645.9	1 833.8	3 957.9	3 686.1	2 599.5	3 870.0	3 288.9	5 245.9	5 914.8	6 106.8
United States	7 589.0	7 616.6	7 741.1	11 396.8	9 079.9	14 242.0	11 926.2	11 897.0	16 063.2	23 966.6	16 611.9
Total-listed countries	12 094.0	12 827.1	14 686.4	22 903.2	21 680.0	26 447.8	25 565.7	25 847.7	35 579.3	47 270.4	41 840.3

Source: UN, Transnationals (Third Survey), p.285

Table 1.7 Developed market economies: inflows of income from foreign direct investment by country, 1970-1980

(Millions of dollars)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Australia	38.0	50.1	52.1	93.0	126.3	108.1	99.3	138.9	160.3	125.3	160.1
Canada	195.0	224.7	294.2	368.4	414.9	450.4	383.3	401.6	674.8	674.4	891.5
Denmark	20.0	23.1	30.4	46.5	45.7	65.6	76.2	103.9	95.2	...	...
Finland	...	...	...	...	...	3.6	2.3	2.3	7.5	6.5	5.2
France	84.0	73.2	78.2	115.6	131.1	188.2	179.0	183.3	200.3	227.4	456.8
Germany, Fed. Rep. of	79.0	82.2	65.1	178.8	120.3	242.8	242.4	326.9	338.0	516.8	546.6
Japan	87.0	115.3	173.7	226.5	348.8	509.9	635.0	840.6	776.2	930.2	1 340.6
Netherlands	514.0	661.0	687.3	959.7	1 241.1	1 083.0	1 203.0	1 242.2	1 458.6	2 040.1	2 596.6
New Zealand	...	...	...	...	...	...	...	...	...	...	23.4
Norway	19.0	18.1	10.9	19.1	20.4	21.9	19.6	22.2	16.3	24.5	31.2
Portugal	...	...	4.3	11.9	24.1	...	...	...	...	...	...
South Africa	110.0	131.4	139.0	248.0	168.4	176.1	226.3	164.6	242.9	295.9	277.2
Spain	1.0	1.0	...	...	1.2	...	3.5	3.5	2.5	6.5	5.2
Sweden	83.0	57.2	82.5	96.6	170.8	74.1	101.6	94.6	91.4	127.9	98.9
United Kingdom	932.0	946.8	1 112.9	1 491.4	1 494.9	1 577.2	1 660.2	1 745.4	2 080.8	2 494.9	3 136.7
United States	4 992.0	5 982.8	6 416.5	8 380.7	11 389.0	8 571.9	11 314.3	13 286.4	14 110.0	19 341.2	19 848.3
Total-listed countries	7 154.0	8 366.9	9 147.1	12 236.0	15 696.9	13 072.8	16 146.0	18 556.6	20 254.9	26 811.6	29 418.5

Source: UN, Transnational Corporations In World Development: Third Survey, NY, ST/ CTC/ 46, 1983, p.287

Table 1.8

Outflows of payments on foreign direct investment by country, 1970-1980
(Millions of dollars)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Developed market economies											
Australia	307.0	361.1	391.9	588.9	635.0	707.8	766.6	749.5	791.3	972.9	959.2
Canada	635.0	770.3	684.0	897.7	1 202.6	1 323.4	1 259.6	1 466.4	1 909.3	1 936.7	2 081.1
Denmark	27.0	30.1	44.5	60.8	57.7	114.1	92.4	126.1	189.1	...	...
Finland	7.0	14.0	20.6	20.3	21.6	34.0	50.8	43.2	40.1	63.3	69.0
France	20.0	29.1	44.5	68.0	99.8	114.1	105.1	123.8	202.8	164.1	184.8
Germany, Fed.Rep.of	771.0	929.8	912.0	1 299.4	1 791.9	1 396.3	1 512.4	2 556.9	1 652.6	2 596.9	2 577.0
Greece	3.0	5.0	6.5	14.3	12.0	12.1	...	...	...	...	...
Iceland	...	...	...	10.7	10.8	13.4	12.7	14.0	12.5	15.5	26.0
Japan	110.0	139.4	173.7	298.0	288.6	291.4	323.3	385.3	413.2	581.4	533.6
Netherlands	255.0	410.2	270.3	473.3	792.5	1 256.6	991.7	1 069.4	1 357.2	1 730.0	2 234.7
New Zealand	24.0	31.1	29.3	53.6	45.7	35.2	33.5	40.9	36.3	82.7	45.6
Norway	26.0	23.1	128.1	209.8	366.8	52.2	86.6	203.1	384.4	471.6	462.0
Portugal	...	...	29.3	31.0	33.7	...	...	...	...	...	...
South Africa	353.0	301.9	343.1	451.8	377.6	398.2	438.7	470.5	608.5	777.8	1 486.3
Spain	17.0	18.1	22.8	57.2	46.9	63.1	57.7	37.4	70.1	65.9	79.4
Sweden	32.0	41.1	42.3	63.2	299.5	65.6	68.1	119.1	77.6	67.2	106.7
United Kingdom	434.0	507.5	629.7	897.7	864.7	835.3	891.3	1 040.3	1 545.0	1 797.2	1 941.9
United States	441.0	620.8	694.9	703.4	264.6	1 056.3	1 431.6	1 260.9	1 615.1	2 403.1	3 175.7
Sub-total	3 462.0	4 232.6	4 467.7	6 199.1	7 212.2	7 769.3	8 122.0	9 706.8	10 904.9	13 726.2	15 963.3
Developing countries											
Latin America											
Argentina	73.0	48.1	60.8	79.9	46.9	20.6	35.8	160.0	162.8	249.4	260.3
Bahamas	...	...	...	...	...	...	...	...	...	...	...
Barbados	4.0	3.0	4.3	6.0	2.4	3.6	3.5	3.5	3.8	5.2	5.2
Bolivia	15.0	7.0	3.3	2.4	3.6	6.1	6.9	9.3	16.3	24.5	15.6
Brazil	111.0	93.3	110.7	131.1	173.2	236.8	383.3	458.8	565.9	741.6	544.0
Chile	104.0	30.1	25.0	...	8.4	8.5	4.6	24.5	35.1	41.3	85.9
Colombia	94.0	73.2	71.7	72.7	57.7	74.1	114.3	92.2	129.0	65.9	75.5
Costa Rica	8.0	6.0	13.0	14.3	8.4	19.4	13.9	5.8	6.3	5.2	15.6
Dominican Republic	19.0	...	13.0	21.5	25.3	26.7	33.5	...	...	...	...
Ecuador	12.0	15.0	18.5	107.3	178.0	20.6	38.1	32.7	45.1	130.5	139.3
El Salvador	2.0	2.0	3.3	4.8	18.0	19.4	4.6	12.8	13.8	31.0	...
Guatemala	17.0	13.0	18.5	21.5	31.3	30.4	55.4	2.3	2.5	18.1	13.0
Guyana	14.0	17.1	7.6	6.0	13.2	7.3	3.5	2.3	1.3	...	...
Haiti	2.0	3.0	2.2	2.4	4.8	8.5	8.1	9.3	11.3	9.0	10.4
Honduras	12.0	13.0	20.6	19.1	3.6	8.5	32.3	33.9	37.6	43.9	70.3

Source: UN, Transnationals In World Development: Third Survey, NY, ST/ CTC/ 46, 1983, p. 288

Table 1.9

Distribution of Parent Companies Based in Developed Market Economies and Their Foreign Affiliates, by Country and Country Groups, 1977

	Parent companies		Foreign affiliates of developed market economy-based firms in:					
			Total affiliates		*Developed market economies*		*Developing countries*	
Home country	Number	% of total	Number	% of total	Number	% of total	Number	% of total
United States	2,826	26.3	26,884	32.6	19,255	31.4	7,629	36.3
United Kingdom	1,706	15.9	21,803	26.5	16,277	26.6	5,526	26.3
Germany, Federal Republic of	1,450	13.5	6,812	8.3	5,582	9.1	1,230	5.8
Switzerland	871	8.1	3,698	4.5	3,168	5.2	530	2.5
Netherlands	622	5.8	3,951	4.8	3,111	5.1	840	4.0
France	599	5.6	4,103	5.0	2,736	4.5	1,367	6.5
Canada	452	4.2	2,450	3.0	1,966	3.2	484	2.3
Japan	382	3.6	2,407	3.0	1,161	1.9	1,246	5.9
Others	1,819	17.0	10,158	12.5	7,969	13.0	2,189	10.4
Total	10,727	100.0	82,266	100.0	61,225	100.0	21,041	100.0

Source: J.M.Stopford, J.H.Dunning, K.Haberich, The World Directory of Multinational Enterprises, Macmillan, London, 1980, p.xiv

Table 1.10 Distribution of Affiliates of Multinational Corporations, By Home Country and Regions, 1980

	Developing Host Region							
Home Country	Latin America	Africa	West Asia	South and East Asia	Europe	Total	Developed market economies	Grand Total
Australia	0.3	0.3	0.7	7.2	0.4	2.8	1.4	1.8
Austria	0.2	0.1	1.1	0.1	0.9	0.2	0.3	0.3
Belgium	0.9	3.5	1.3	0.3	1.4	1.2	2.0	1.8
Canada	3.2	0.8	1.4	0.8	2.7	1.9	3.5	3.1
Denmark	0.4	0.6	1.1	0.4	0.9	0.5	1.1	0.9
Finland	5.9	0.1	0.4	-	-	0.1	0.3	0.2
France	3.1	18.1	6.2	1.3	3.2	5.2	4.6	4.8
Germany, F.R.	5.9	4.6	7.0	3.2	8.2	4.7	8.6	7.5
Italy	2.0	2.2	2.1	0.4	5.0	1.5	1.6	1.6
Japan	3.5	1.4	3.0	12.6	-	6.4	1.8	3.1
Netherlands	2.3	4.6	5.5	2.3	6.4	2.8	5.1	4.5
New Zealand	-	-	0.1	1.0	0.4	0.4	0.5	0.5
Norway	0.1	0.3	1.1	0.3	-	0.2	0.6	0.5
Portugal	-	0.1	-	-	-	*	*	*
Spain	0.5	0.2	-	-	-	0.3	0.2	0.2
Sweden	2.1	0.9	2.0	1.3	1.4	1.6	3.4	3.4
Switzerland	2.4	1.5	3.7	1.6	1.4	2.0	5.0	4.2
United Kingdom	10.1	40.2	26.3	25.6	56.4	21.9	26.8	25.4
United States	62.2	15.9	36.6	33.5	10.9	42.4	31.2	34.3
Other countries a/	0.6	4.7	0.5	8.0	0.4	4.0	1.0	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Less than 0.1.

a/ Hong Kong, Luxembourg, Malaysia and Singapore.

Source: UN, Transnational Corporations In World Development: Third Survey, NY, ST/ CTC/ 46, 1983, p.35

Table 1.11 EEC Survey of Multinational Enterprises 1976 (Figures for Nine Member Commission)

Country of Origin	Number of Multinationals By Country of Origin			
	Number of Enterprises Surveyed	Per Cent of Total	Number of Enterprises with at least two links in at least two foreign countries	Per Cent Total
France	565	6.0	398	6.8
Belgium	252	2.7	161	2.8
Netherlands	467	4.9	238	4.0
Germany	1,222	12.9	803	13.6
Italy	213	2.2	112	1.9
United Kingdom	1,588	16.7	1,130	19.3
Ireland	32	0.4	19	0.3
Denmark	137	1.4	95	1.6
Luxemburg	56	0.6	26	0.5
Total EEC	4,532	47.8	2,982	50.8
Norway	130	1.4	66	1.1
Sweden	301	3.2	210	3.6
Finland	51	0.5	23	0.4
Switzerland	756	8.0	372	6.3
Lichtenstein	89	0.9	28	0.5
Austria	52	0.5	26	0.4
Portugal	10	0.1	6	0.1
Spain	35	0.4	18	0.3
USA	2,567	27.1	1,582	27.0
Canada	268	2.8	154	2.6
Mexico	5	0.1	3	0.1
Indonesia	2	-	-	-
Malaysia	17	0.2	12	0.2
Singapore	67	0.7	38	0.7
Philippines	4	-	2	-
Japan	211	2.2	132	2.3
Taiwan	15	0.2	4	0.1
Hong Kong	24	0.3	19	0.3
Australia	228	2.4	134	2.3
New Zealand	117	1.2	54	0.9
Total Non-Member Countries	4,949	52.2	2,883	49.2
Grand Total	9,481	100.0	5,865	100.0

Source: EEC Commission, Survey of Multinational Enterprises, EEC Brussels, July 1976

Table 1.12 The World's Largest Multinational Corporations

Rank	Company	Home Country	Sector	Sales a/ Total ($mil)	Sales a/ Foreign (Percent)	Net Assets b/ Total ($mil)	Net Assets b/ Foreign (Percent)	Net Earnings c/ Total ($mil)	Net Earnings c/ Foreign ($mil)	Net Earnings c/ Foreign (Percent)	Employment Total (000)	Employment Foreign (Percent)	Exports ($mil) d/
001	EXXON CORP.	USA	290	110 381e/	...	25 413	...	5 650	...	...	177	52.5	...
002	ROYAL DUTCH/SHELL GROUP (NLD)	GBR	290	77 263	...	28 653	...	5 814	...	...	161	67.1	...
003	MOBIL OIL CORP.	USA	290	63 726	69.1	13 069	...	2 813	2 125	75.5	213	...	...
004	GENERAL MOTORS	USA	370	57 728	27.9	17 815	11.6	-762	-687	90.2	746	30.7	...
005	TEXACO INC.	USA	290	51 196	68.6	12 526	...	2 240	1406	62.8	67	...	...
006	BRITISH PETROLEUM	GBR	290	48 052	77.6	29 877	23.0	3 339	...	...	118	37.9	5 325
007	STANDARD OIL OF CALIFORNIA	USA	290	40 479	56.5	11 077	...	2 401	...	...	40	...	...
008	ENI	ITA	290	37 248	...	3 141	...	116	...	...	123	...	...
009	FORD MOTORS CO.	USA	370	37 086	50.3	8 567	...	-1 543	475	-30.8	427	57.8	...
010	GULF OIL CORP.	USA	290	28 389	40.6	9 637	...	1 407	657	46.7	59	37.7	...
011	STANDARD OIL CO. (INDIANA)	USA	290	27 832	20.1	9 385	...	1 915	860	44.9	56	17.5	...
012	IBM	USA	357	26 213	52.6	16 453	45.9	3 562	1 902	53.4	341	43.1	...
013	GENERAL ELECTRIC	USA	360	25 523	20.9	8 200	28.5	1 514	639	42.2	402	29.1	4 265
014	ATLANTIC RICHFIELD CO.	USA	290	24 578	8.0	7 439	...	1 651	34	2.1	53	...	...
015	FIAT S.P.A.	ITA	371	24 270	...	3 877	...	70	...	...	343	20.3	...
016	UNILEVER (GBR) f/	NLD	200	24 161	36.0	5 140	...	667	333	49.9	300	48.0	...
017	COMPAGNIE FRANCAISE DES PETROLES	FRA	290	23 910	56.9	4 671	...	1 205	...	...	48	43.0	...
018	ITT	USA	360	23 819	51.8	6 273	33.1	894	465	52.0	348	52.9g/	...
019	VEBA	DEU	290	23 081	17.1	4 463	...	272	...	...	84	7.9	...
020	PETROLEOS DE VENEZUELA	VEN	290	19 751	...	13 426	...	3 451	...	...	38	...	17 987
021	RENAULT	FRA	371	18 958	45.4	2 332	...	151	...	...	223	24.4	5 840
022	CONOCO INC.	USA	290	18 766	38.3	11 036h/	43.3	1 026	509	49.6	42	14.9	...
023	SOCIETE NATIONALE ELF AQUITAINE	FRA	290	18 430	26.7	5 871	...	1 375	...	...	45	...	...
024	PHILIPS GLOEILAMPENFABRIEKEN	NLD	360	18 377	91.8	6 537	...	165	...	...	372	78.8	5 057
025	VOLKSWAGENWERK A.G.	DEU	371	18 313	64.4	3 390	...	177	...	...	258	38.4	7 758
026	B.A.T. INDUSTRIES	GBR	210	17 785	77.0	5 939	...	544	...	...	177	73.2	491
027	SIEMENS A.G.	DEU	360	17 583	54.1	4 862	...	348	...	...	344	31.7	5 683
028	DAIMLER BENZ A.G.	DEU	371	17 084	55.4	2 923	...	606	104	17.1	183	16.9	6 947
029	PEUGEOT S.A.	FRA	371	16 825	54.9	2 871	15.0	-356	-239	67.0	245	21.9	5 932
030	PETROLEOS BRASILEIRO	BRA	290	16 555	...	...	...	825	...	...	48	...	527
031	BASF	DEU	280	16 499	49.2	3 775	...	198	...	...	117	25.0	5 330
032	HOECHST	DEU	280	16 458	35.0	3 588	...	306i/	65	21.1	187	46.0	5 607
033	BAYER	DEU	280	15 858	52.3	4 150	...	402	...	...	182	44.2	3 270
034	NIPPON STEEL	JPN	330	14 997	...	2 598	...	337	...	...	70	...	...
035	THYSSEN A.G.	DEU	332	14 955	42.9	...	...	57	...	...	152	15.8	...
036	PEMEX	MEX	290	14 813	...	...	...	17	...	...	128	...	...
037	NESTLE	CHE	200	14 608	...	5 168	...	408	...	...	153	54.2	...
038	TOYOTA MOTOR CORP.	JPN	371	14 599	46.6	7 602	...	633	...	...	47	...	...
039	E.I. DU PONT DE NEMOURS & CO.	USA	280	13 744	34.0	5 624	...	706	247	35.0	137	...	2 197
040	PHILLIPS PETROLEUM	USA	290	13 713	22.4	4 937	31.1	1 070	462	43.2	32	17.9	374
041	TENNECO INC.	USA	350	13 488	...	4 164	25.4	726	77	10.6	106	...	...
042	NISSAN MOTOR CO. LTD.	JPN	371	13 302	...	7 873	...	379	...	...	56	...	...
043	IMPERIAL CHEMICAL INDUSTRIES	GBR	280	13 295	58.0	10 929	...	302	...	...	143	41.1	2 729
044	SUN CO., INC.	USA	290	13 242	21.2	4 311	18.5	723	286	39.6	49	10.9	...
045	HITACHI LTD.	JPN	360	12 990	...	13 697	...	51	...	...	143	...	2 645
046	MATSUSHITA ELECTRIC INDUSTRIAL CO.	JPN	360	12 860	39.9	10 930	...	549	...	...	107	...	...
047	MITSUBISHI HEAVY INDUSTRIES	JPN	350	12 780	.7	1 323	1.9	105	-8	7.8	58	8.9	4 142
048	OCCIDENTAL PETROLEUM	USA	290	12 726	...	6 231	37.9	711	206	29.0	35	34.5	651
049	UNITED STATES STEEL CORP.	USA	332	12 492	5.6	5 288	...	504	...	...	149	...	...
050	UNITED TECHNOLOGIES	USA	360	12 399	23.6	2 758	21.2	393	167	42.5	200	32.0	2 143
051	STANDARD OIL OF OHIO	USA	290	11 702	...	4 561	...	1 811	...	...	23	...	...
052	PETROFINA S.A.	BEL	290	11 603	84.5	2 079	...	321	345	107.4	23	78.7	...
053	PROCTER AND GAMBLE	USA	280	11 416	32.8	3 863	...	593	130	21.9	60	...	...
054	COMPAGNIE GENERALE D'ELECTRICITE	FRA	360	10 833	7.5	1 645	...	133	...	...	180	16.8	2 522
055	THE DOW CHEMICAL CO.	USA	280	10 626	51.7	4 440	48.8	805	342	42.5	57	38.7	1 237

Source: UN, Transnational Corporations In World Development: Third Survey, NY, ST/ CTC/ 46, 1983

Table 1.13

Average foreign content of the world's largest industrial corporations

Item	1971 Total (Millions of dollars)	1971 Foreign (Millions of dollars)	1971 Foreign share (Per cent)	1976 Total (Millions of dollars)	1976 Foreign (Millions of dollars)	1976 Foreign share (Per cent)	1980 Total (Millions of dollars)	1980 Foreign (Millions of dollars)	1980 Foreign share (Per cent)
Sales	1 769	527	30	3 797	1 339	35	7 084	2 822	40
Net assets	956	300	31	1 475	423	29	2 417	803	33
Net earnings	83	41	49	150	65	43	266	140	53
Employment	61 318	23 958	39	63 297	27 002	43	68 669	31 914	46
Exports	271	—	—	695	—	—	1 344	—	—

Average foreign sales as a percentage of total sales, by industry

Industry	1980	1976	1971
Mining	42	44	...
Construction	48	...	...
Food and allied products	30	27	27
Paper	27	29	27
Chemicals	48	45	40
Petroleum	49	37	21
Rubber	37	...	...
Metals	36	26	24
Machinery	38	36	31
Electronics	41	32	28
Transportation	47	42	36
All sectors	40	35	30

Average foreign sales as a percentage of total sales, by country of origin

Country	1980	1976	1971
Canada	48	...	...
France	54	49	44
Germany, Fed. Rep. of	51	47	46
Japan	43	22	20
United Kingdom	41	28	29
United States	31	30	23
Other Western Europe	62	57	53
All countries	40	35	30

Source: CTC Reporter, UN, CTC, NY, 1983

Table 1.14 The Foreign Content Ratio Of The World's Largest Enterprises[a] (1977)

Research Intensity	Home Country of Multinationals USA	EUR	JAPAN	OTHER COUNTRIES	ALL COUNTRIES
High Research Intensity:					
Aerospace	7.6	6.8	n.a.	n.a.	n.a.
Office Equipment & Computers	42.2	39.3	10.0	n.a.	41.5
Petroleum	47.0	59.5	1.0	1.3	42.7
Measurement, Scientific & Photographic Equipment	35.2	21.0	8.0	n.a.	33.1
Electronics & Electrical Appliances	21.3	26.6	4.5	45.8	20.5
Chemicals & Pharmaceuticals	25.7	40.5	4.3	4.3	29.0
Total	35.8	44.0	3.6	5.2	33.5
Medium Research Intensity:					
Industrial & Farm Equipment	28.1	26.9	2.8	48.5	22.9
Shipbuilding, Railroad & Transport Equipment	5.0	1.6	7.1	31.7	8.8
Rubber	31.6	48.5	7.0	n.s.a	34.2
Motor Vehicles & Components	21.4	20.5	17.4	n.a.	20.6
Metal Manufacturing & Products	13.7	16.8	3.3	15.2	13.5
Total	19.6	20.4	8.6	21.6	18.4
Low Research Intensity:					
Building Materials	21.7	38.7	3.0	2.0	27.9
Tobacco	29.0	52.1	n.a.	n.a.	40.8
Beverages	23.6	20.5	n.s.a	3.7	17.4
Food	18.9	55.2	2.1	5.8	28.8
Paper & Wood Products	13.6	32.8	4.0	32.4	18.1
Textiles, Apparel, Leather Goods	10.2	26.5	12.3	11.7	15.5
Publishing & Printing	6.2	15.3	4.1	n.a.	9.2
Total	17.9	44.6	4.8	13.3	25.0
Other Manufacturing	11.0	0.9	5.0	2.0	5.8
Total	27.4	35.1	6.1	11.5	26.6

a. Survey of 866 enterprise groups
n.a. not applicable
n.s.a not separately available

Source: J.H.Dunning, International Production And The Multinational Enterprises, George Allen & Unwin, London, 1981, p.5

Table 1.15

Intra-firm trade in the home countries' exports of large industrial corporations, 1977, by home country

Home country	Share of intra-firm trade in parent companies' total exports
Canada	39.3
EEC	29.6
Europe (total)	29.7
France	32.2
Germany, Federal Republic of	34.6
Japan	17.0
Other Western Europe	29.8
Sweden	36.1
United Kingdom	29.6
United States	45.5
Other countries	22.8
TOTAL	32.8

Table 1.16

Fees and royalty receipts a/ by the United States: Intra-firm and unrelated party transactions

(Millions of dollars)

	1960	1969	1970	1978	Compound Annual rate of growth 1960-69	1970-78
All countries	650	1 894	2 203	5 417	12.6	11.9
Intrafirm	403	1 393	1 620	4 362	14.8	13.2
Interfirm	247	501	583	1 055	8.2	7.7
All developing countries	162	426	473	972	11.3	8.3
Intrafirm	137	364	407	825	11.5	8.1
Interfirm	25	62	66	147	10.7	10.5
Latin America	116	287	311	404	10.6	3.4
Intrafirm	96	245	264	323	11.0	2.6
Interfirm	20	42	47	81	8.6	7.0
Non-Latin American developing countries	46	139	162	568	13.1	17.0
Intrafirm	41	119	143	502	12.6	17.0
Interfirm	5	20	19	66	16.6	16.8

Source: (Tables 1.15; 1.16) UN, Transnational Corporations In World Development: Third Survey, NY, ST/ CTC/ 46, 1983, p.166

Table 2.1

Outward Direct Investment Stake of Five Industrialized Countries by Main Manufacturing Sectors, 1975

	US		Japan		United Kingdom		Sweden		West Germany	
	$m	%	$m	%	$m	%	$m	%	$m	%
More Technology Intensive Sectors	37,620	67	1,630	39	6,437	44	4,504	69	8,206	69
Chemicals and Allied Products	11,172	20	634	15	3,108	21	522	8	3,818	32
Mechanical and Instrument Engineering	11,646	21	307	7	1,210	8	2,089	32	1,377	12
Electrical Engineering	6,384	11	426	10	1,630	11	1,436	22	1,797	15
Transportation Equipment	8,418	15	263	6	489	3	457	7	1,214	10
Less Technology Intensive Sectors	18,417	33	2,507	61	8,253	56	2,023	31	3,742	31
Food, Drink and Tobacco	4,716	8	231	6	3,947	27	65	1	716	6
Textiles, Leather, Clothing and Footwear	1,099	2	918	22	1,038	7	65	1	469	4
Paper, Printing and Publishing	3,774	7	423	10	1,073	7	653	10	567	5
Primary and Fabricated Metals	3,649	7	635	15	602	4	848	13	1,737	15
Other Manufacturing Industries	5,179	9	300	7	1,593	11	392	6	253	2
All Manufacturing	56,037	100	4,137	100	14,690	100	6,527	100	11,948	100

Table 2.2 Share of developing countries in total stock of foreign direct investment in manufacturing industry of four leading home countries

(Percentage)

Country	1971	1980
Federal Republic of Germany	27.7	24.2
Japan	66.4	67.7
United Kingdom	19.7	18.2
United States	17.6	20.9

Table 2.3

Percentage of Total Exports by Parent MNEs Despatched to Their Own Affiliates, 1977,[1,2,3] Classified by Degree of Multinationality of Production

	Degree of Multinationality of Production[4]						
	0-2½%	2½%-12½%	12½%-22½%	22½%-32½%	32½%-42½%	42½%-52½%	Over 52½%
[A] By Area and Country							
USA	0.3	11.7	56.6	47.0	58.2	62.0	86.9
Europe (Total)	0.7	10.8	33.9	52.0	39.4	19.7	41.0
EEC (Total)	1.0	10.9	33.4	53.4	39.6	3.2	24.8
Germany	3.1	17.2	26.4	57.3		0	
France	0	0	50.2	64.4	19.0	0	
UK	0	9.5	65.4	14.6	38.2	7.0	11.3
Other Europe (Total)	0.1	9.4	36.5	15.0	39.0	55.0	58.4
Sweden	0	16.0	60.0	15.0	60.0	55.0	63.6
Japan	2.7	8.5	85.0	20.0		75.1	
Other countries	0.6	3.8	6.5	26.1		0	86.1
Canada	1.4	4.4	6.5	26.1		0	86.1
TOTAL	0.8	10.1	45.4	46.0	46.7	41.1	60.6
[B] By Industry							
Petroleum	0	36.6	0	0	0	0	94.8
Electronics and Electrical Appliances		14.9	20.3	86.9	41.5	37.1	54.3
Chemicals and Pharmaceuticals	3.4	8.0	29.9	29.5	62.2	18.0	37.1
Total High Research Intensity	0.4	13.3	23.0	53.1	58.2	45.7	62.4
Industrial and Farm Equipment		23.1	82.7	27.7	44.4	10.6	57.5
Motor Vehicles (incl. components)	3.0	28.2	79.3	51.0	48.9	75.0	100.0
Metal Manufacturing and Products	1.1	7.6	17.2	14.2	24.6		78.0
Total Medium Research Intensity	0.9	9.8	64.8	46.0	37.8	59.3	73.8
Building Materials		15.2	12.3	15.0	12.8	4.0	
Food	0	5.4	0.3	17.8	26.6		38.1
Textiles	4.6	2.5	14.2	18.7	19.0	0	21.0
Total Low Research Intensity	1.7	4.8	4.7	19.9	20.7	3.8	11.8
TOTAL	0.8	10.1	45.4	45.0	46.7	41.1	60.6

1 Proportion of parents total exports accounted for by exports of parts and components etc to overseas affiliates.
2 Covers the 329 firms for which information on 'internal exports' was available.
3 'Overseas production ratio' for individual firms.
4 Each firm is classified to one of the groups below according to its individual degree of multinationality of production.

Sources: Table 2.1 J.M.Stopford, J.H.Dunning, K.Haberich, The World Directory of Multinational Enterprises, Macmillan, London, 1980, p.xxi

Table 2.2 UN, Transnational Corporations In World Development: Third Survey, ST/CTC/ 46, 1983, p.141

Table 2.3 Stopford et.al, p.xxiii

Table 2.4 Value Added of the Local Subsidiaries of Multinational Firms in Percentages of the GDP of Some Developed Countries[a]

Country	*Percentage of manufacturing production due to the firms with foreign capital*[b]	*Value added of the manufacturing industry in percentages of the GDP in 1976*[c]	*Correcting factor*[d]	*Value added due to the foreign multinationals in percentages of the GDP*[a]
United States	3[e] (1974)	24		2.2 (1974)
Japan	5.1 (1975)	35[f]	1.65 (1971)	2.9 (1971)
Germany	25.1 (1972)	37	1.54 (1973)	14.3 (1973)
United Kingdom	14.7 (1973)	25	1.40 (1974)	5.1 (1974)
France	24.5 (1975)	27	1.47[g]	9.71
Canada	51 (1974)	19	2.45 (1974)	23.7 (1974)

NOTES

a. For some countries, the following data are available: the percentage of the value added in manufacturing due to the firms with foreign capital (column b), the percentage of the value added of the manufacturing industry in relation to the gross domestic product (sum of the value added of all the sectors) (column c), and the ratio of total foreign investment in the country to foreign investment in the manufacturing industry in the same country, called the 'correcting factor' in column d. The value added due to the foreign multinationals in each of these countries is then obtained by multiplying one by one the figures of column b by those of column c and then multiplying that result by the correcting factor in column d. The use of the correcting factor implies an assumption that the value added in manufacturing is analogous with that of the other sectors. The results of this table over-estimate the size of the multinationals in comparison with the economies of the host countries since column b includes as a 'multinational' any company in which foreign capital is larger than 20 per cent.

b. *Penetration of Multinational Enterprises in Manufacturing Industry in Member Countries: Statistics Updated at the End of 1978* (OECD, 1979), p. 73. For France, Canada and the United Kingdom: value added. For Japan and West Germany: production.

c. *Handbook of International Trade and Development Statistics*, UNCTAD (United Nations 1979), pp. 506–7.

d. *Penetration of Multinational Enterprises in Manufacturing Industry in Member Countries* (OECD, 1977), pp. 29–31. For example: for Germany: 100/64.9 = 1.54

e. The United States is the only country for which the figures are directly available: Ned G. Howenstine, 'Gross Product of US Affiliates of Foreign Companies', *Survey of Current Business* (1979), Table 4, p. 30.

f. 1974 figure for Japan.

g. For France, estimate made by averaging the figure for Germany and the figure for Great Britain.

Source: M.Ghertman, M.Allen, An Introduction To The Multinationals, IRM/ Macmillan, London, 1984 edn., pp. 46-47

Table 2.5 Share of Employment in Manufacturing Industry of Local Subsidiaries Of Foreign Multinationals and Indigenous MNCs

Country	*Number of employees in local subsidiaries of foreign multinationals % of total*[a]	*Number of employees in manufacturing industry in indigenous multinationals % of total*[b]
USA	5.4 (1974)[c]	35 (1968)
Great Britain	12.4 (1975)	33 (1975)
Sweden	8.4 (1975)	34 (1976)
Germany	22.4 (1972)	40 (estimate)
Canada	43.1 (1974)	29 (1975)
France	19.0 (1975)	40 (estimate)

SOURCES

a. OECD, op. cit., p. 3.

b. International Labour Office, *Employment Effects of Multinational Enterprises in Industrialized Countries* (Geneva: ILO, 1981), p. 18.
For Germany the figures comes from 33 firms. It underestimates the number of employees in the indigenous multinationals, but gives a ratio of 3/1 for them and the local subsidiaries of foreign firms.

c. Ibid., p. 7.

Ghertman , Allen, p.53

Table 3.1

FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA

INFLOW OF FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA, BY TYPE OF INVESTMENT

($A million)

	Direct investment							*Portfolio investment and institutional loans*			
	Undistributed income		*Other direct investment*								
Year	*Branches*	*Subsidiaries*	*Corporate equities*	*Branch liabilities to head office*	*Inter-company indebtedness*	*Borrowings*	*Total*	*Corporate equities*	*Borrowings*	*Total*	*Total*
1947-48	6	9	(a)	34		25	74	3		3	77
1948-49	3	9	(a)	27		42	81	4		4	85
1949-50	17	15	(a)	27		71	130	7		7	137
1950-51	19	26	(a)	20		69	134	3		3	137
1951-52	13	35	(a)	13		100	161	11		11	172
1952-53	1	35	(a)	4		2	42	(b)9		(b)9	(b)51
1953-54	9	52	(a)	34		42	137	1		1	138
1954-55	8	53	(a)	24		113	198	12		12	210
1955-56	13	68	(a)	25		118	224	10		10	234
1956-57	(c)19	76	(a)	(d)15		81	191	18		18	209
1957-58	9	78	(a)	10		95	192	15		15	207
1958-59	23	102	(a)	17		66	208	40		40	248
1959-60	19	117	(a)	44		140	320	68		68	388
1960-61	5	108	(a)	51		211	375	96		96	473
1961-62	9	57	(a)	45		110	221	76		76	297
1962-63	16	93	(a)	6		269	384	83		83	467
1963-64	22	116	(a)	37		250	425	28		28	453
1964-65	11	113	(a)	67		349	540	44		44	584
1965-66	15	110	(a)	86		301	512	182		182	694
1966-67	12	103	(a)	94		155	363	153		153	516
1967-68	34	194	(a)	110	32	191	561	402		402	964
1968-69	(e)11	(e)239	(a)	149	-41	241	(e)599	405		405	(e)1,004
1969-70	-8	229	(a)	154	93	267	735	305		305	1,040
1970-71	10	228	(a)	150	112	395	895	695		695	1,590
1971-72	23	201	(a)	126	-35	555	870	584		584	1,454
1972-73	48	259	(a)	42	-144	195	400	70		70	471
1973-74	29	401	80	—	172	(f)-67	616	-140	20	-120	496
1974-75	23	223	112	16	197	86	657	-114	461	346	1,003
1975-76	186	426	129	7	-4	-166	578	18	264	283	861
1976-77	52	603	27	54	314	13	1,063	-60	535	475	1,538
1977-78	139	519	156	67	38	122	1,041	-23	302	279	1,319
1978-79	23	801	-77	113	274	222	1,356	131	489	620	1,976
1979-80	-9	1,026	34	70	205	210	1,538	710	833	1,543	3,081
1980-81	-79	908	529	188	272	570	2,389	1,307	2,372	3,679	6,068
1981-82	-197	555	-134	608	399	1,111	2,342	659	6,547	7,206	9,548
1982-83	-109	-465	391	574	68	440	900	857	7,219	8,076	8,976
1983-84	-187	778	218	-782	603	1,411	2,042	537	6,110	6,647	8,689

(a) Not available separately; included in borrowings. (b) Prior to 1952-53, excludes movements in holdings by Australian nominees of foreign investment and by foreign investors using Australian addresses. (c) Prior to 1956-57, excludes unremitted profits of foreign fire, marine and general insurance and reinsurance enterprises. (d) Prior to 1956-57, includes unremitted profits referred to in (c) above. (e) Prior to 1968-69, all mining and petroleum exploration expenditure was treated as capital expenditure in these statistics; from 1968-69 on, such expenditure has been treated as current expenditure in accordance with recommendations of the 'UN System of National Accounts'. From the same year, all reinsurance transactions by residents, as well as non-resident insurance and reinsurance transactions, which were previously included in foreign investment statistics, have been excluded from statistics on capital flows and investment income and are treated as current account items in the balance of payments. (f) Prior to 1973-74, includes corporate equities.

Source: ABS, Foreign Investment In Australia, Canberra, 1985

INCOME PAYABLE ON FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA, BY TYPE OF INCOME

($A million)

	Income payable abroad on direct investment									*Income payable abroad on portfolio investment and institutional loans*		
	Undistributed income		*Distributed income*									
Year	*Branches*	*Subsidiaries*	*Remitted profits of branches*	*Dividends payable*	*Interest payable*	*Total*	*Dividends*	*Interest*	*Total*	*Total*
1947-48	6	9	17	12	n.a.	44	8	n.a.	8	52
1948-49	3	9	18	8	n.a.	38	8	n.a.	8	46
1949-50	17	15	22	6	n.a.	60	10	n.a.	10	70
1950-51	19	26	28	8	n.a.	81	8	n.a.	8	89
1951-52	13	35	25	10	n.a.	84	8	n.a.	8	92
1952-53	1	35	33	17	2	88	9	(a)	9	(b)97
1953-54	9	52	34	36	1	132	9	(a)	9	141
1954-55	8	53	36	36	1	134	12	(a)	12	146
1955-56	13	68	40	37	1	159	13	(a)	13	172
1956-57	(c)19	76	(d)32	38	2	167	14	(a)	14	181
1957-58	9	78	38	51	2	178	14	(a)	14	192
1958-59	23	102	30	56	2	213	19	(a)	19	232
1959-60	19	117	35	55	4	230	19	(a)	19	249
1960-61	5	108	43	57	6	219	20	(a)	20	239
1961-62	9	57	37	72	6	181	20	(a)	20	201
1962-63	16	93	37	80	(e)5	(e)231	27	2	29	260
1963-64	22	116	39	70	7	254	29	4	33	287
1964-65	11	113	42	78	11	255	32	5	37	292
1965-66	15	110	42	79	15	261	35	14	49	310
1966-67	12	103	44	100	20	279	39	19	58	337
1967-68	34	194	(f)44	104	(f)25	401	40	22	62	463
1968-69	(g)11	(g)239	54	106	34	444	50	32	82	(g)525
1969-70	-8	229	65	142	52	481	54	40	95	576
1970-71	10	228	60	131	84	514	57	51	108	622
1971-72	23	201	64	134	109	531	62	77	139	670
1972-73	48	259	92	203	106	709	67	85	153	862
1973-74	29	401	104	208	110	853	72	94	166	1,019
1974-75	23	223	152	204	133	734	70	158	228	963
1975-76	186	426	157	248	129	1,146	72	181	253	1,398
1976-77	52	603	290	249	123	1,317	77	192	269	1,586
1977-78	139	519	314	295	114	1,381	79	235	315	1,696
1978-79	23	801	295	288	131	1,538	87	312	399	1,938
1979-80	-9	1,026	391	391	175	1,974	98	419	517	2,491
1980-81	-79	908	368	454	169	1,820	187	532	719	2,538
1981-82	-197	555	357	561	243	1,520	171	1,047	1,219	2,739
1982-83	-109	-465	427	496	286	635	176	1,809	1,985	2,620
1983-84	-187	778	591	525	371	2,079	249	3,422	2,671	4,750

(a) Not available separately; included in 'interest payable on direct investment'. (b) Prior to 1952-53, excludes interest payable by Australian subsidiaries as well as interest payable on portfolio investment and institutional loans. (c) Prior to 1956-57, excludes unremitted profits of foreign fire, marine and general insurance and reinsurance enterprises. (d) Prior to 1956-57, includes unremitted profits referred to in (c) above. (e) Prior to 1962-63, includes interest payable on portfolio investment. (f) Prior to 1967-68, interest payable by branches is included with 'remitted profits of branches'. (g) Prior to 1968-69, all mining and petroleum exploration expenditure was treated as capital expenditure in these statistics; from 1968-69 on, such expenditure has been treated as current expenditure in accordance with recommendations of the 'UN System of National Accounts'. From the same year, all reinsurance transactions by residents, as well as non-resident insurance and reinsurance transactions, which were previously included in foreign investment statistics, have been excluded from statistics on capital flows and investment income and are treated as current account items in the balance of payments.

Table 3.2

INFLOW OF DIRECT INVESTMENT IN AUSTRALIA, BY COUNTRY OF ORIGIN, BROAD INDUSTRY GROUP, AND SELECTED YEARS

($A million)

Year	Mining			Manufacturing			Other			Total		
	U.S.A.	Japan	Total	U.S.A.	Japan	Total	U.S.A.	Japan	Total	U.S.A.	Japan	Total
1972-73	n.a.	n.a.	n.a.	23	1	84	59	8	239	121	-13	391
1973-74	n.a.	n.a.	n.a.	133	13	247	111	20	300	266	52	618
1974-75	n.a.	n.a.	n.a.	144	2	284	80	39	303	248	55	657
1975-76	5	5	10	108	18	235	109	61	333	221	84	578
1976-77	-135	24	-83	265	15	466	307	47	686	437	85	1,069
1977-78	107	23	49	90	46	346	219	50	657	416	119	1,051
1978-79	141	12	64	276	11	575	258	44	808	674	66	1,448
1979-80	-79	18	35	241	94	449	531	107	1,152	694	219	1,636
1980-81	-170	38	-18	292	178	698	620	109	1,541	742	326	2,221

Source: ABS, 'Foreign Investment in Australia', Issues 1977-78 to 1980-81, Table 6, AGPS.

Table 3.3

Foreign Control of Industrial Sectors, By Percentage of Turnover, of Selected Developed Countries

	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany
Mining	55	3	n.a.	57	n.a.	n.a.	n.a.	24
Manufacturing	36	23	33	56	11	5	27	25
Service (finance, distribution, hotels etc.)	48	18	n.a.	n.a.	n.a.	n.a.	32	46
Chemicals, coal, rubber, petroleum, plastic	62	30	n.a.	90	n.a.	8	47	43
Fabricated metal products, machinery and equipment	46	25	n.a.	75	n.a.	12	28	25
Food, beverages, tobacco	29	18	n.a.	40	n.a.	2	n.a.	19
Basic metal industries	44	6	n.a.	36	n.a.	3	18	37

	Japan	New Zealand	Norway	Spain	Sweden	UK	USA
Mining	n.a.	n.a.	7	n.a.	3	7	n.a.
Manufacturing	4	33	29	11	10	14	4
Service (finance, distribution, hotels etc.)	n.a.	30	n.a.	n.a.	n.a.	n.a.	n.a.
Chemicals, coal, rubber, petroleum, plastic	n.a.	n.a.	13	n.a.	33	27	n.a.
Fabricated metal products, machinery and equipment	n.a.	n.a.	14	n.a.	7	18	n.a.
Food, beverages, tobacco	n.a.	n.a.	3	n.a.	12	12	n.a.
Basic metal industries	n.a.	n.a.	51	n.a.	28	9	n.a.

Source: L.Fox, Multinationals Takeover Australia, Apcol, Sydney, 1981, p.217

Table 3.4

Large Enterprise Groups in Manufacturing Industry, 1975-76

	Number of Groups	Value Added	Employment	Fixed Capital Expenditure
			% of total industry	
Largest 200				
Foreign Control	86	22	18	29
Australian Control	114	29	27	31
Total	200	51	45	60
Other enterprise groups	32,067	49	55	40
Total	32,267	100	100	100

Foreign Control in Manufacturing Industry, by Size, 1975-76

Groups rank by turnover size	Number of Groups		Value Added		Employment		Fixed Capital Expenditure	
	Foreign	Aust.	Foreign	Aust.	Foreign	Aust.	Foreign	Aust.
					% of total industry			
Largest—								
12	7	5	7	8	6	7	15	13
25	14	11	10	10	8	9	18	15
50	24	26	13	16	11	14	20	18
100	47	53	18	21	15	19	25	25
200	86	114	22	29	18	27	29	31

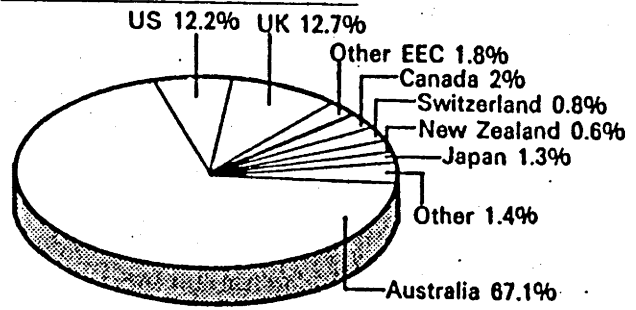
Foreign Control in Manufacturing Industry, by Country, 1975-76

Country	Number of Groups	Value added	Employment	Fixed Capital Expenditure
			% of total industry	
US	35	8	6	13
UK	39	10	9	12
Other foreign	12	3	3	4
Total foreign	86	22	18	29

Source: L.Fox, Multinationals Takeover Australia, Apcol, Sydney, 1981, p.219

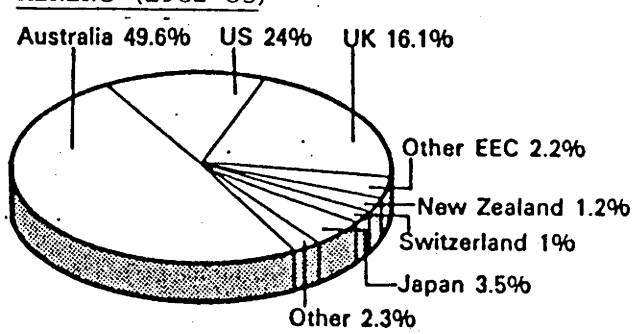
Table 3.5 Foreign Ownership By Industry Sector, Australia, Selected Years

MANUFACTURING (1982-83)



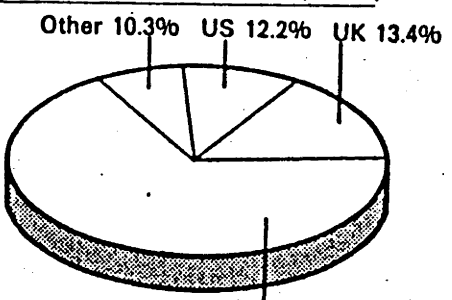
Total foreign ownership 32.9%

MINING (1982-83)



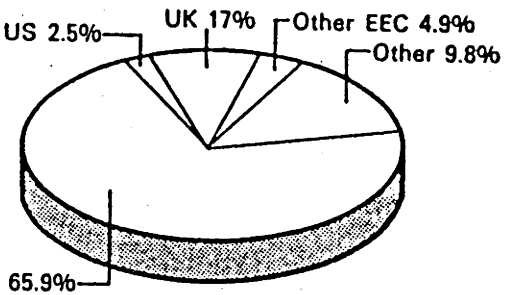
Total foreign ownership 50.4%

FINANCIAL CORPORATIONS (1984)



Total foreign ownership 35.9%

GENERAL INSURANCE (1983-84)



Total foreign ownership 34.1%

Source: Australian Financial Review, November 8, 1985, p.16

Table 3.6 (a)

PRIVATE ENTERPRISES – RESEARCH AND EXPERIMENTAL DEVELOPMENT, 1976-77 : CONTROL SUMMARY

		Expenditure on R and D performed by private enterprises						*Expenditure by private enterprises on R and D performed on their account*			
		Source of funds							*Outside their enterprise*		
	Private enterprises that performed R and D	*Own funds*	*Other private enterprises in Australia*	*All other Australian sources*	*Overseas*	*Total*	*Private enterprises on whose account R and D was performed*	*Within their enterprise*	*By enterprises in Australia*	*By enterprises overseas*	*Total*
	no.	$'000	$'000	$'000	$'000	$'000	no.	$'000	$'000	$'000	$'000
Foreign control	291	71,873	1,243	2,007	3,546	78,669	313	73,880	3,727	3,683	81,290
Australian control	706	58,995	11,254	7,043	671	77,963	735	66,038	7,127	1,117	74,281
Total	997	130,868	12,496	9,050	4,217	156,632	1,048	139,918	10,853	4,800	155,572
						– per cent –					
Foreign control	29.2	54.9	9.9	22.2	84.1	50.2	29.9	52.8	34.3	76.7	52.3
Australian control	70.8	45.1	90.1	77.8	15.9	49.8	70.1	47.2	65.7	23.3	47.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.6 (b) PRIVATE ENTERPRISES - RESEARCH AND EXPERIMENTAL DEVELOPMENT 1976-77
CONTROL BY DEGREE OF INFLUENCE OF LARGEST FOREIGN INVESTOR

	Private enterprises on whose account R and D was performed		*Expenditure by private enterprises on R and D performed on their account*					
			Within their enterprise		*Outside their enterprise (by enterprises in Australia or overseas)*		*Total*	
	no.	%	$'000	%	$'000	%	$'000	%
Foreign control								
U.S.A.	110	10.5	34,926	25.0	1,705	10.9	36,631	23.5
U.K.	150	14.3	30,322	21.7	2,724	17.4	33,045	21.2
Other	53	5.1	8,633	6.2	2,981	19.0	11,613	7.5
Total	*313*	*29.9*	*73,880*	*52.8*	*7,410*	*47.3*	*81,290*	*52.3*
Australian control	735	70.1	66,038	47.2	8,244	52.7	74,281	47.7
Total	1,048	100.0	139,918	100.0	15,653	100.0	155,572	100.0

Source: ABS, Foreign Control In Research And Experimental Development, Private Enterprises 1976-77, Canberra, pp.6-7

Table 3.7

MANUFACTURING INDUSTRY : OWNERSHIP SUMMARY, 1972-73 AND 1982-83

	PERSONS EMPLOYED				VALUE ADDED			
	1972-73(A)		1982-83(B)(C)		1972-73		1982-83(C)	
	NO.	%	NO.	%	$M	%	$M	%
FOREIGN OWNERSHIP-								
DIRECT FOREIGN OWNERSHIP	303000	23.4	225294	22.3	2976.8	27.7	8820.5	28.4
OTHER IDENTIFIED FOREIGN OWNERSHIP	39000	3.0	40861	4.0	379.2	3.5	1382.7	4.5
TOTAL	342000	26.4	266155	26.3	3356.0	31.2	10203.1	32.9
AUSTRALIAN OWNERSHIP	956000	73.6	745486	73.7	7390.0	68.8	20856.0	67.1
TOTAL	1298000	100.0	1011641	100.0	10746.0	100.0	31059.1	100.0

(A) AVERAGE FOR YEAR 1972-73 (B) AS AT END OF JUNE 1983 (C) THE COMPARABILITY OF FIGURES FOR 1982-83 WITH PREVIOUS YEARS IS AFFECTED BY THE FACTORS OUTLINED IN PARAGRAPHS 24 TO 26 OF THE EXPLANATORY NOTES.

MANUFACTURING INDUSTRY : CONTROL SUMMARY, 1972-73 AND 1982-83

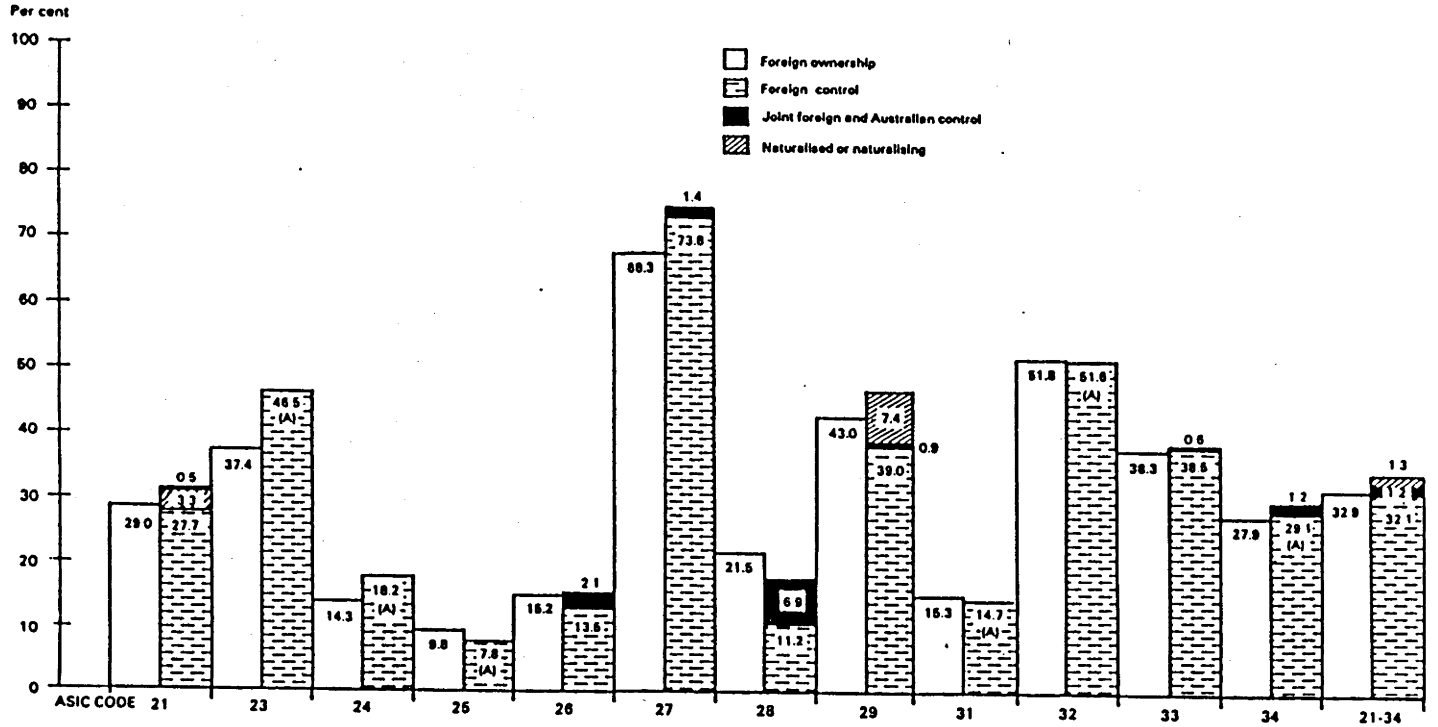
	ESTABLISHMENTS AT 30 JUNE				PERSONS EMPLOYED				VALUE ADDED			
	1972-73		1982-83(A)		1972-73(B)		1982-83(A)(C)		1972-73		1982-83(A)	
	NO.	%	NO.	%	NO.	%	NO.	%	$M	%	$M	%
FOREIGN CONTROL	2076	5.7	1917	6.9	349000	26.7	256852	25.4	3437.1	31.8	9976.2	32.1
JOINT FOREIGN AND AUSTRALIAN CONTROL	146	0.4	115	0.4	21000	1.8	8779	0.9	249.5	2.5	371.8	1.2
NATURALISED OR NATURALISING	N.A.	N.A.	33	0.1	N.A.	N.A.	9734	1.0	N.A.	N.A.	405.3	1.3
AUSTRALIAN CONTROL	34215	93.9	25631	92.5	928000	71.5	736276	72.8	7059.3	65.7	20305.9	65.4
TOTAL	36437	100.0	27696	100.0	1298000	100.0	1011641	100.0	10746.0	100.0	31059.1	100.0

(A) THE COMPARABILITY OF FIGURES FOR 1982-83 WITH PREVIOUS YEARS IS AFFECTED BY THE FACTORS OUTLINED IN PARAGRAPHS 24 TO 26 OF THE EXPLANATORY NOTES. (B) AVERAGE FOR YEAR 1972-73. (C) AS AT END OF JUNE 1983.

Source: ABS, Foreign Ownership And Control of the Manufacturing Industry, Australia 1982-83, Canberra, 1985, p.8

Table 3.8

MANUFACTURING INDUSTRY : FOREIGN OWNERSHIP AND CONTROL BY INDUSTRY SUBDIVISION, 1982-83
(Based on value added)
(Note: Excludes single establishment enterprises employing fewer than four persons)



ASIC Code	Industry Sub-Division
21	Food, beverages and tobacco
23	Textiles
24	Clothing and footwear
25	Wood, wood products and furniture
26	Paper, paper products, printing and publishing
27	Chemical, petroleum and coal products
28	Non metallic mineral products
29	Basic metal products
31	Fabricated metal products
32	Transport equipment
33	Other machinery and equipment
34	Miscellaneous manufacturing

(A) Includes an insignificant percentage for the Joint foreign and Australian control and/or Naturalised or naturalising categories for which separate details are unavailable for publication.

Source: ABS, Foreign Ownership And Control of the Manufacturing Sector, Australia 1982-83, Canberra, 1985, p.2

Table 3.9

MANUFACTURING INDUSTRY : FOREIGN OWNERSHIP AND CONTROL BY STATE, 1982-83

STATE OR TERRITORY	ESTABLISHMENTS AT 30 JUNE				PERSONS EMPLOYED AT END OF JUNE					WAGES AND SALARIES				
	TOTAL	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING	TOTAL	FOREIGN OWNERSHIP	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING	TOTAL	FOREIGN OWNERSHIP	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING
	NO.	%	%	%	NO.	%	%	%	%	$M	%	%	%	%
NEW SOUTH WALES	10471	7.7	0.4	0.1	367129	28.0	26.2	1.2	1.0	6638.4	31.0	28.5	1.4	1.0
VICTORIA	8392	7.7	0.3	0.1	349679	28.6	28.6	0.5	0.5	5949.8	33.4	33.4	0.5	0.6
QUEENSLAND	3440	4.3	0.2	0.2	111839	17.4	15.8	0.2	2.0	1786.3	20.2	18.2	0.1	2.6
SOUTH AUSTRALIA	2099	6.4	1.1(A)	N.P.	90372	29.1	28.2	2.0(A)	N.P.	1502.3	33.9	33.1	2.0(A)	N.P.
WESTERN AUSTRALIA	2499	5.2	0.4	0.2	62752	19.4	19.1	1.1	0.8	1038.3	23.8	24.0	1.6	0.6
TASMANIA	528	7.4	1.4(A)	N.P.	23853	19.1	17.7	6.5(A)	N.P.	387.7	20.1	15.9	7.9(A)	N.P.
N.T. AND A.C.T.	267	5.2	1.5(A)	N.P.	6017	17.4	18.9	1.6(A)	N.P.	99.8	21.5	24.4	1.2(A)	N.P.
AUSTRALIA	27696	6.9	0.4	0.1	1011641	26.3	25.4	0.9	1.0	17402.7	30.2	28.9	1.0	1.1

STATE OR TERRITORY	TURNOVER					VALUE ADDED					FIXED CAPITAL EXPENDITURE LESS DISPOSALS				
	TOTAL	FOREIGN OWNERSHIP	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING	TOTAL	FOREIGN OWNERSHIP	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING	TOTAL	FOREIGN OWNERSHIP	FOREIGN CONTROL	JOINT FOREIGN & AUST. CONTROL	NATURALISED OR NATURALISING
	$M	%	%	%	%	$M	%	%	%	%	$M	%	%	%	%
NEW SOUTH WALES	29023.8	35.0	33.7	1.8	1.2	11332.4	35.3	34.6	1.6	0.9	1325.3	39.9	24.1	24.2	2.5
VICTORIA	27747.4	36.4	36.1	0.7	0.6	10649.5	34.4	33.9	0.8	0.8	998.3	48.7	53.2	0.5	0.5
QUEENSLAND	10715.5	27.6	23.4	0.1	6.0	3445.1	23.0	19.7	0.1	4.5	541.3	47.8	57.4	0.3	1.4
SOUTH AUSTRALIA	6707.5	32.8	32.3	2.5(A)	N.P.	2708.6	35.0	35.2	2.1(A)	N.P.	219.7	43.5	40.0	7.5(A)	N.P.
WESTERN AUSTRALIA	5596.5	28.2	26.4	2.1	1.3	2040.9	29.5	31.4	2.0	1.1	536.6	72.5	87.4	1.0	0.3
TASMANIA	1968.5	20.4	17.3	6.5(A)	N.P.	695.1	20.8	17.6	7.4(A)	N.P.	45.0	26.4	25.1	6.7(A)	N.P.
N.T. AND A.C.T.	561.4	33.1	39.8	0.9(A)	N.P.	187.5	24.4	28.5	0.7(A)	N.P.	12.2	35.2	33.6	11.5(A)	N.P.
AUSTRALIA	82320.6	33.5	32.2	1.2	1.7	31059.1	32.9	32.1	1.2	1.3	3678.4	48.3	47.1	9.5	1.4

(A) INCLUDES NATURALISED OR NATURALISING ESTABLISHMENTS.

Source: ABS, Foreign Ownership And Control of the Manufacturing Industry, Australia 1982-83, Canberra, 1985, p.20

Table 3.10 GDP Per Capita And Economic Growth In Industrial Countries, Selected Years, 1870-1982

Country	GDP per capita as percent of U.S. GDP per capita*							Annual average growth rate, 1870–1976 (percent)	
	1870	1890	1913	1929	1960	1976	1982	GDP	GDP per capita
Australia	173	145	107	74	75	80	80	3.2	1.1
Austria	53	n.a.	58	48	54	69	68	2.6	2.1
Belgium	123	104	82	75	66	84	65	2.1	1.5
Canada	80	77	81	70	78	91	91	3.8	2.0
Denmark	69	66	73	64	66	76	84	2.9	1.9
Finland	52	42	41	39	54	71	77	3.1	2.2
France	87	71	67	66	67	87	76	2.2	1.9
Germany	68	60	58	51	70	81	82	2.5	2.0
Italy	69	46	42	37	43	53	47	2.3	1.6
Japan	35	33	29	32	35	77	69	3.8	2.6
Netherlands	123	87	69	70	69	80	74	2.7	1.4
Norway	63	52	47	50	65	85	105	2.9	2.1
Sweden	54	48	55	61	79	88	90	3.0	2.3
Switzerland	104	88	74	85	85	78	114	2.4	1.6
United Kingdom	124	103	81	67	70	67	65	1.8	1.3
United States	100	100	100	100	100	100	100	3.5	1.9

Source: R.E.Caves, L.B.Krause, The Australian Economy: A View From The North, George Allen & Unwin, Sydney, 1984, p.5.

Table 3.11 (a) Imports And Exports, Annual Averages, Australia, 1949-83

Item	1949–50 to 1953–54	1954–55 to 1958–59	1959–60 to 1963–64	1964–65 to 1968–69	1969–70 to 1973–74	1974–75 to 1978–79	1979–80 to 1982–83
Amount (millions of Australian dollars)							
Imports	1,369	1,539	1,975	2,952	4,139	10,117	19,691
Exports	1,554	1,647	2,138	2,857	5,122	11,086	19,295
Trade balance	185	108	163	−95	983	970	−434
Share of GDP (percent)							
Imports	19.3	14.0	12.8	12.9	10.6	12.3	14.2
Exports	21.7	14.9	13.7	12.4	13.0	13.5	14.1

Table 3.11 (b) Exports As A Share Of GDP For Selected Industrial Countries, 1958-1982

Per Cent

Country	1958	1982
Australia	12.8	13.9
Canada	14.5	23.8
France	8.8	17.8
Germany	16.0	26.7
Sweden	17.3	27.1
United States	4.0	7.0

Source: Caves, Krause, The Australian Economy, p.276

Table 3.12 Four-Factor Analysis Of Japanese And US Trade With Australia And The World, Selected Periods, 1970-79

Country and period (average)	Factor							
	Human capital intensive		Natural resource intensive		Unskilled labor intensive		Technology intensive	
	Australia	World	Australia	World	Australia	World	Australia	World
Japan								
Imports								
1970-72	0.4	3.5	98.6	78.1	0.3	4.1	0.7	14.3
1977-79	0.5	3.5	98.6	81.8	0.3	5.0	0.6	9.7
Exports								
1970-72	41.5	44.6	7.6	8.1	23.0	23.0	27.9	24.4
1977-79	53.8	49.8	4.1	5.3	12.4	14.2	29.6	30.7
United States								
Imports								
1970-72	3.6	33.2	91.3	38.9	1.2	12.5	3.9	15.4
1977-79	3.6	26.0	89.5	49.5	0.7	8.9	6.3	15.6
Exports								
1970-72	20.5	20.1	12.1	31.0	5.3	5.9	62.1	43.1
1977-79	18.7	18.6	10.5	32.4	6.8	5.8	64.0	43.2

Source: R.E.Caves, L.B.Krause, The Australian Economy: A View From The North, George Allen & Unwin, Sydney, 1984, p.284

Table 3.13

Share of Australian Exports to and Imports from Selected Trading Partners
(Yearly Average, Per Cent)

	1949/50–1953/54	1954/55–1958/59	1959/60–1963/64	1964/65–1968/69	1969/70–1973/74	1974/75–1978/79	1979/80–1980/81	1983/84–1984/85
Imports from:								
United Kingdom	46.9	41.8	31.1	23.9	19.3	12.3	9.3	4.1
EEC[a]	8.8	10.1	11.2	12.2	13.4	14.1	12.6	17.0
Japan	1.9	2.7	5.8	10.1	15.5	18.8	17.7	22.2
South & South East Asia[b]	13.2	12.0	9.7	7.2	7.0	9.6	12.4	5.5[e]
USA	11.1	12.9	20.0	24.9	23.0	21.2	22.1	22.2
Exports to:								
United Kingdom	35.9	31.3	21.3	15.4	9.7	4.4	4.4	4.0
EEC[a]	21.7	21.4	16.2	13.2	9.9	10.5	8.9	9.1
Japan	6.7	11.6	16.4	19.8	28.5	31.2	27.1	26.3
Pacific Basin[c]	8.7	9.6	9.0	11.8	12.9	14.2	16.0	16.8
USA	9.6	6.8	9.6	12.3	12.2	10.3	11.0	11.3
Canada[d]	1.5	1.5	1.7	1.7	2.7	2.5	2.1	1.2
New Zealand[d]	3.5	5.7	6.0	5.7	5.4	5.2	4.7	5.5

Source: R.E.Caves, L.B.Krause, The Australian Economy: A View From The North, George Allen & Unwin, Sydney, 1984, p.277; ABS, Pocket Year Book, Australia, 1985, p.101; 1986, p.96

a. The European Community excludes the United Kingdom. Ireland, and Denmark are included beginning in 1973–74.

b. South and Southeast Asia include Bangladesh, Brunei, Burma, Hong Kong, India, Indonesia, Kampuchea, Laos, Macao, Malaysia, Maldive Islands, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam.

c. The Pacific basin includes Taiwan, Hong Kong, the Republic of Korea, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Papua New Guinea from 1970–71. Before 1970–71, countries included are those listed in note b above.

d. Data for Canada and New Zealand before 1974–75 are in calendar years beginning in 1949.

e. ASEAN countries only

Table 3.14 Average Effective Rates Of Assistance To Manufacturing Industries 1968-69 To 1981-82

Industry	*1968–69*	*1969–70*	*1970–71*	*1971–72*	*1972–73*	*1973–74*	*1974–75*	*1975–76*	*1976–77*	*1977–78*	*1978–79*	*1979–80*	*1980–81*	*1981–82*
Food, beverages, and tobacco	16	17	18	19	19	18	21	20	16	10	13	11	9	8
Textiles	43	42	42	45	45	35	39	50	51	52	52	55	61	54
Clothing and footwear	97	94	91	86	85	64	87	96	138	142	145	137	141	204
Wood, wood products, and furniture	26	27	26	23	23	16	18	19	18	18	16	14	13	13
Paper and paper products, printing, and publishing	52	50	50	52	51	38	31	30	30	26	29	27	26	30
Chemical, petroleum, and coal products	31	31	31	32	32	25	23	24	22	19	19	17	14	13
Nonmetallic mineral products	15	15	15	14	14	11	11	10	7	5	5	5	4	5
Basic metal products	31	30	28	29	29	22	16	16	15	12	12	12	13	14
Fabricated metal products	61	60	60	58	56	44	39	38	34	32	34	33	34	34
Transport equipment	50	50	51	50	51	39	45	66	57	57	63	74	74	79
Motor vehicles	52	...	...	51	...	41	77	116	104	108	130	149	149	158
Other machinery and equipment	43	43	43	41	39	29	24	25	22	20	21	22	22	22
Miscellaneous manufacturing	34	35	35	32	31	24	27	26	25	26	27	26	27	27
Total manufacturing	36	36	36	35	35	27	27	28	27	23	25	24	24	26

Source: Caves, Krause, The Australian Economy, p.288

Table 3.15

ASSISTANCE AND THE PERFORMANCE OF MANUFACTURING INDUSTRIES[a] : 1968-69 TO 1981-82

Characteristics	Unit	Industries with above-average effective rates of assistance		Industries with below-average effective rates of assistance		All manufacturing	All sectors
		Group A	Group B	Group C	Group D		
		Industries mainly assisted by quotas	Industries mainly assisted by tariffs	Industries with effective rates between 10 and 26 per cent	Industries with effective rates of less than 10 per cent		
EMPLOYMENT							
1968-69							
. number employed	Persons	226 768	335 970	349 430	280 488	1 192 656	5 183 000
. share of manufacturing	%	19.02	28.17	29.30	23.50	100.0	
1981-82							
. number employed	Persons	166 674	328 869	365 107	289 138	1 149 788	6 389 600
. share of manufacturing	%	14.50	28.61	31.76	25.15	100.0	
Trend growth rate (number employed)[f,g]	%	-3.1	-0.6	-0.1	0.3	-0.7	13.5
		(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
VALUE ADDED[b]							
1968-69							
. value	$m	1082.5	1898.6	2071.0	1940.6	6992.7	
. share of manufacturing	%	15.48	27.16	29.62	27.76	100.0	
1981-82							
. value	$m	3435.2	8757.3	9438.7	9616.9	31248.2	
. share of manufacturing	%	11.0	28.03	30.21	30.78	100.0	
Trend growth rate (value)[f]	%	9.1	11.9	12.3	13.2	12.0	
		(0.3)	(0.2)	(0.3)	(0.3)	(0.2)	
IMPORT SHARE OF DOMESTIC DEMAND[c]							
Total Imports							
1968-69	%	17.94	17.43	18.83	16.27	17.91	
1981-82	%	31.65	24.30	25.34	23.43	25.98	
Trend growth rate[f]	%	5.00	2.80	2.00	2.80	2.90	
		(0.6)	(0.5)	(0.4)	(0.5)	(0.4)	
Dutiable Imports							
1968-69	%	10.74	9.12	9.32	6.55	8.72	
1974-75	%	23.22	12.33	8.66	6.62	11.48	
1981-82	%	21.87	10.68	10.03	4.82	10.33	
Trend growth rate[f]	%	5.60	0.60	2.84	-3.10	1.10	
		(1.1)	(0.6)	(4.2)	(0.6)	(0.6)	
EXPORTS AS A PROPORTION OF TURNOVER							
1968-69	%	2.26	4.65	5.26	18.78	8.99	
1981-82	%	3.84	5.69	4.68	24.76	11.84	
Trend growth rate[f,g]	%	-2.80	2.10	0.30	2.00	2.30	
		(2.0)	(0.6)	(0.9)	(0.7)	(0.6)	
VALUE ADDED[b] PER EMPLOYEE							
1968-69	$	4 773	5 651	5 927	6 919	5 863	
1981-82	$	20 611	26 628	25 852	33 261	27 177	
Trend growth rate[f]	%	12.2	12.6	12.4	12.9	12.7	
		(0.5)	(0.3)	(0.4)	(0.3)	(0.4)	
INVESTMENT[d]							
1968-69	$m	87	201	208	434	930	7 255
1981-82	$m	320	690	885	2 180	4 076	37 828
Trend growth rate[f]	%	7.40	9.20	8.60	10.50	9.60	12.7
		(1.7)	(0.7)	(1.0)	(1.3)	(0.9)	(0.4)
AVERAGE EARNINGS[e]							
1968-69	$	2 595	3 153	3 255	3 186	3 084	3 660[h]
1981-82	$	13 027	14 468	14 968	15 619	14 707	15 964[h]
Trend growth rate[f]	%	13.10	12.40	12.40	12.90	12.70	12.8
		(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)
ASSISTANCE - Effective rate							
1968-69	%	66	57	34	11	36	
1981-82	%	162	40	19	2	26	

a Manufacturing industries of the 1978 ASIC were grouped on the basis of the assistance they were estimated to have received in 1981-82; see Table A1.1.1 for group definition and composition.

b In current prices.

c Domestic demand is defined as sales and transfers out of own production (valued at ex factory selling prices) plus the duty paid value of imports less exports (in current prices).

d New fixed capital expenditure (current prices).

e Wages and salaries (current prices) per number of persons employed.

f Exponential (continuously compounding) trend rates of growth were estimated by fitting the following regression equation to the data

$$\log_e y = a + r\,t$$

where y is the variable of interest, t is time and a and r are parameters to be estimated, with r the estimated growth rate. Growth rates obtained using this method are similar to those that would be obtained based on the periodically compounding formula $(y = A\,(1 + r)^t)$ for growth rates up to about 10 per cent. Figures in brackets are standard errors. A high standard error relative to the estimated growth rate indicates that the underlying series is subject to considerable variation.

g Where the data fluctuates considerably over time, the change between the beginning and end period years of the relevant variable need not necessarily indicate its overall trend.

h Annual average earnings per employed male unit.

Source: I.A.C., Annual Report 1982-83, AGPS, Canberra, 1983, p.44; p.47

Table 3.15 (Cont)

THE ALLOCATION OF MANUFACTURING INDUSTRIES[a] TO INDUSTRY GROUPS

Industries with above-average effective rates of assistance[b]		Industries with below-average effective rates of assistance[b]	
Group A	Group B	Group C	Group D
Industries mainly assisted by quotas	Industries mainly assisted by tariffs	Industries with effective rates between 10 and 26 per cent	Industries with effective rates of less than 10 per cent
2343: Man-made fibres and yarns	2173: Confectionary and cocoa products	2116: Poultry	2115: Meat (excuding smallgoods or poultry)
2344: Man-made fibres broadwoven fabrics	2186: Beer	2124: Ice cream and frozen confections	2117: Bacon, ham and smallgoods nec
2346: Worsted yarns and broadwoven fabrics	2188: Wine and brandy	2131: Fruit products	2121: Liquid milk and cream
2347: Woollen yarns and broadwoven fabrics	2341: Cotton ginning	2140: Margarine and oils and fats nec	2122: Butter
2349: Textile finishing	2342: Wool scouring and top making	2353: Felt and felt products	2123: Cheese
2351: Household textiles	2345: Cotton yarns and broadwoven fabrics	2355: Rope, cordage and twine	2125: Milk products nec
2441: Hosiery	2348: Narrow woven and elastic textiles	2534: Wooden doors	2132: Vegetable products
2442: Cardigans and pullovers	2352: Textile floor coverings	2535: Wooden structural fitting and joinery nec	2151: Flour mill products
2451: Mens trousers and shorts; work clothing	2354: Canvas and associated products nec	2536: Wooden containers	2152: Starch, gluten and starch sugars
2452: Mens suits and coats; waterproof clothing	2533: Veneers and manufactured boards of wood	2543: Furniture[a]	2153: Cereal foods and baking mixes
2454: Foundation garments	2635: Paper products nec	2754: Organic industrial chemicals nec	2161: Bread
2456: Headwear and clothing nec	2636: Paper bags (including textile bags) and solid and corrugated fibreboard containers[a]	2762: Paints	2162: Cakes and pastries
2459: Knitted goods, underwear and infants' clothing, womens outerwear, nec[a]	2644: Printing and bookbinding	2765: Soaps and other detergents	2163: Biscuits
2460: Footwear	2645: Printing trade services nec	2766: Cosmetics and toilet preparations	2171: Raw sugar
3233: Motor vehicle instruments and electrical equipment nec	2646: Printing and Allied Industries nec[a]	2863: Ceramic tiles and pipes	2174: Processed seafoods
3235: Motor vehicles and motor vehicles nec[a]	2753: Synthetic resins and rubber	2864: Ceramic goods nec	2175: Prepared animal and bird foods
	2764: Pesticides	2881: Plaster products and expanded minerals	2176: Food products nec
	2767: Inks	2882: Stone products	2185: Soft drinks, cordials and syrups
	2780: Petroleum and coal products nec	2883: Glass wool and mineral wool products	2187: Malt
	2961: Aluminium rolling, drawing, extruding	2884: Non-metallic mineral products nec	2189: Alcoholic beverages nec
	2963: Non-ferrous metal casting	2941: Iron and steel basic products	2190: Tobacco products
	3142: Architectural aluminium products	2942: Iron casting	2356: Textile products nec
	3145: Fabricated structural steel and architectural aluminium products nec[a]	2943: Steel casting	2537: Hardwood woodchips
	3151: Metal containers	2944: Iron and steel forging	2538: Wood products nec
	3163: Nuts, bolts, screws and rivets	2945: Steel pipes and tubes	2539: Log sawmilling and resawn and dressed timber[a]
	3166: Boiler and plate work	3161: Cutlery and hand tools nec	2542: Mattresses (excluding rubber)
	3169: Sheet metal products nec, springs and wire products and fabricated metal products nec[a]	3164: Metal coating and finishing	2631: Pulp, paper and paperboard
	3232: Motor vehicle bodies, trailers, caravans	3165: Non-ferrous steam, gas and water fittings	2751: Chemical fertilisers
	3242: Boats	3167: Metal blinds and awnings	2752: Industrial gases
	3243: Railway rolling stock and locomotives	3241: Ships	2755: Inorganic industrial chemicals nec
	3351: Radio and TV receivers; audio equipment	3245: Transport equipment nec	2761: Ammunition, explosives and fireworks
	3352: Electronic equipment nec	3342: Photographic file processing	2763: Pharmaceutical and veterinary products
	3353: Refrigerators and household appliances	3357: Electrical machine and equipment nec	2768: Chemical products nec
	3354: Water heating systems	3361: Agricultural machinery	2770: Petroleum refining
	3356: Batteries	3365: Pumps and compressors	2850: Glass and glass products
	3362: Construction machinery	3368: Food processing machinery	2861: Clay bricks
	3363: Materials handling equipment	3369: Industrial machinery and equipment	2862: Refractories
	3366: Commercial space heating and cooling equipment	3472: Rigid plastic sheeting	2871: Cement
		3475: Plastic and related products (except hard surface floor coverings nec)[a]	2872: Ready mixed concrete
		3481: Ophthalmic articles	2873: Concrete pipes and box culverts
		3483: Brooms and brushes	2874: Concrete products nec
		3484: Signs and advertising displays	2951: Copper smelting, refining
		3485: Sporting equipment	2952: Silver, lead, zinc smelting, refining alumina
		3486: Writing and marking equipment	2953: Alumina
			2955: Nickel, smelting, refining
			2956: Non-ferrous metals nec smelting, refining

Source: I.A.C., Annual Report 1982-83, AGPS, Canberra, 1983, p.42

Table 3.16

BUDGET OUTLAYS BY FUNCTION

	1985-86 Actual	1986-87 Estimate	1986-87 Change		1986-87 Proportion of Total Outlays
	$m	$m	$m	%	%
1. Defence	6672.5	7415.3	742.8	11.1	9.9
2. Education	4914.1	5204.2	290.1	5.9	7.0
3. Health	6849.6	7306.5	456.9	6.7	9.8
4. Social Security and Welfare	19191.7	20760.4	1568.7	8.2	27.8
5. Housing and Community Amenities, nec.	1465.6	1615.4	149.8	10.2	2.2
6. Culture and Recreation	902.8	949.6	46.8	5.2	1.3
7. Economic Services—					
A. Transport and Communication	1793.1	1702.0	−91.2	−5.1	2.3
B. Industry Assistance and Development	1397.0	1218.5	−178.6	−12.8	1.6
C. Labour and Employment	1040.0	1084.0	44.0	4.2	1.4
D. Other Economic Services	214.7	223.5	8.8	4.1	0.3
Total Economic Services	4444.9	4227.9	−217.0	−4.9	5.7
8. General Public Services—					
A. Legislative Services	347.2	477.0	129.8	37.4	0.6
B. Law, Order and Public Safety	471.3	519.9	48.6	10.3	0.7
C. Foreign Affairs and Overseas Aid	1327.4	1301.2	−26.2	−2.0	1.7
D. General and Scientific Research, nec.	505.3	534.7	29.4	5.8	0.7
E. Administrative Services	2184.5	2484.4	300.0	13.7	3.3
Total General Public Service	4835.7	5317.3	481.6	10.0	7.1
9. Not Allocated to Function—					
A. Payment to Other Governments, nec.	13587.1	14328.4	741.3	5.5	19.2
B. Public Debt Interest	7052.8	7513.5	460.7	6.5	10.0
C. Provision for Contingent Salary and Related Costs (non-Defence)	—	125.0	125.0	—	0.2
Total Not Allocated to Function	20639.9	21966.9	1327.0	6.4	29.4
TOTAL OUTLAYS	69916.9	74763.6	4846.7	6.9	100.0

Source: Hansard, House of Representatives, 19 August 1986, p.75

Table 4.1 United States Direct Investment, Cumulative 1981 ($US million)

	All Sectors		Manufacturing Only	
	Total	% change 1980	Total	% change 1980
Worldwide	227,342	5.5	92,480	3.7
Asia/Pacific	27,188	18.3	9,662	11.8
Japan	6,807	9.0	3,277	10.3
Australia	8,779	14.6	3,270	12.3
New Zealand	616	6.6	206	5.1
Hong Kong	2,655	27.8	470	26.0
India	431	8.3	322	10.7
Indonesia	1,861	41.6	140	0.0
Malaysia	849	34.3	244	36.3
Philippines	1,294	2.8	554	1.5
Singapore	1,791	48.8	594	51.5
Korea	778	35.3	163	—8.9
Taiwan	574	15.3	332	3.4
Thailand	551	52.6	24	—72.4
Others	203	9.1	67	15.5
Canada	46,957	4.4	19,658	4.1
Europe	101,318	5.0	45,534	0.4
Latin America	38,883	0.003	15,762	8.3
Middle East	1,958	—7.3	197	—16.5
Africa	6,918	12.9	1,666	9.6

Source: American Chamber of Commerce In Australia, Commerce, November-December, 1982, p.11

Table 4.2

INFLATION, GDP AND UNEMPLOYMENT IN SELECTED OECD COUNTRIES : 1967 TO THE FIRST QUARTER OF 1983
(per cent)

	1967-1973[a]	1973-1980[a]	1980	1981	1982	1983[b]
Inflation rate[c]						
USA	4.9	9.2	13.5	10.4	6.1	3.6
Germany, F.R.	4.3	4.8	5.5	5.9	5.3	3.7
Japan	6.7	9.7	8.0	4.9	2.7	2.1
Italy	5.0	17.0	21.2	19.5	16.6	16.1
UK	7.0	16.0	18.0	11.9	8.6	5.0
Australia	5.1	11.9	10.2	9.7	11.1	11.4
OECD TOTAL	5.4	10.4	12.8	10.6	7.8	5.5
Growth rate[d]						
USA	3.6	2.3	-0.3	2.3	-1.7	1.1
Germany, F.R.	5.3	2.3	1.9	0.2	-1.2	-0.4
Japan	9.5	3.7	4.4	3.2	2.5	3.5
Italy	5.0	2.8	3.9	-0.2	0.7	-3.5
UK	3.4	0.9	-2.0	-2.0	0.5	3.3
Australia	5.4	2.5	1.5	4.1	0.8	-2.2
OECD TOTAL	4.9	2.5	1.2	1.5	-0.4	na
Unemployment rate[e]						
USA	4.4	6.7	7.0	7.5	9.5	10.2
Germany, F.R.	1.0	3.2	3.0	4.4	6.2	7.1
Japan	1.2	1.9	2.0	2.2	2.4	2.6
Italy	5.6	6.7	7.4	8.3	8.9	9.6
UK	3.4	5.7	7.0	10.7	12.5	13.5
Australia	2.0	5.2	6.0	5.7	7.1	9.5
OECD TOTAL	3.1	5.1	5.8	6.7	8.2	8.9

a This column shows the average annual rates between the years indicated.
b Figures refer to the first quarter of 1983. For inflation and GDP, the column shows rates of change from the first quarter of 1982. The unemployment rate (first quarter, 1983) is subject to seasonal variation. Provisional figures.
c Annual inflation rates, based on Consumer Price Indices.
d Based on annual percentage rates of change of real GDP.
e The figures are the standardised unemployment rates prepared by the OECD to make them more comparable across countries.

Source: I.A.C., Annual Report 1982-83, AGPS, Canberra, 1983, p.2

Table 4.3 (a)

RANKINGS OF OECD COUNTRIES[a] ACCORDING TO AVERAGE ANNUAL GROWTH RATES OF GDP PER CAPITA, GDP PER PERSON EMPLOYED, AND GFCF[b] PER PERSON EMPLOYED: 1962-1979 AND 1962-1980

GDP per capita 1962-1980			GDP per person employed 1962-1979			GFCF per person employed 1962-1979		
Rank		Rate	Rank		Rate	Rank		Rate
		%			%			%
1	Japan	5.8	1	Greece	6.4	1	Japan	7.9
2	Greece	5.3	2	Japan	6.3	2	Turkey	6.9
3	Portugal	4.9	3	Turkey	5.3	3	Ireland	6.3
4	Spain	4.1	4	Austria	5.1	4	Greece	6.0
5	Austria	4.0	5	Spain	4.9	5	Spain	5.6
6	France	3.8	6	Portugal	4.2	6	Austria	5.6
7	Belgium	3.7	7	Ireland	4.1	7	France	4.2
7	Finland	3.7	8	Germany, F.R.	4.0	8	Portugal	3.6
9	Norway	3.6	9	Finland	4.0	9	Norway	3.5
10	Turkey	3.5	9	France	4.0	10	Finland	3.3
11	Canada	3.3	11	Netherlands	3.9	11	Belgium	3.1
11	Italy	3.3	11	Italy	3.9	12	Netherlands	2.9
11	Iceland	3.3	13	Belgium	3.8	13	Germany, F.R.	2.9
14	Ireland	3.2	14	Norway	2.6	14	Iceland	2.6
14	Netherlands	3.2	14	UK	2.6	15	UK	2.6
16	Germany, F.R.	3.1	16	Denmark	2.4	16	Canada	2.3
17	Luxembourg	2.8	16	Luxembourg	2.4	17	Denmark	2.2
18	Australia	2.5	18	Sweden	2.3	18	Italy	1.8
18	Denmark	2.5	18	Switzerland	2.3	19	Sweden	1.6
18	Sweden	2.5	20	Australia	2.2	20	Switzerland	1.3
21	USA	2.2	20	Iceland	2.2	21	New Zealand	1.2
22	UK	2.1	22	Canada	2.1	22	Australia	1.1
23	Switzerland	1.8	23	USA	1.5	23	Luxembourg	1.0
24	New Zealand	1.6	24	New Zealand	1.2	24	USA	0.5
	OECD - Europe	3.0		OECD - Europe	3.6		OECD - Europe	3.1
	OECD - Total	3.0		OECD - Total	3.1		OECD - Total	2.9

a Excluding Yugoslavia.
b Gross fixed capital formation.
c GDP and GFCF are measured in constant US dollars at the exchange rates and price levels of 1975.

Table 4.3 (b)

RANKINGS OF OECD COUNTRIES[a] ACCORDING TO LEVELS OF GDP PER CAPITA, GDP PER PERSON EMPLOYED, AND GFCF[b] PER PERSON EMPLOYED: 1962, 1979 AND 1980[c]

GDP per capita				GDP per person employed				GFCF per person employed			
1962		1980		1962		1979		1962		1979	
1	Switzerland	1	Switzerland	1	USA	1	Netherland	1	Switzerland	1	Norway
2	Sweden	2	Sweden	2	Switzerland	2	Germany, F.R.	2	Luxembourg	2	Switzerland
3	USA	3	Norway	3	Canada	3	Switzerland	3	Norway	3	Luxembourg
4	Denmark	4	Denmark	4	Sweden	4	USA	4	Canada	4	Germany, F.R.
5	Germany, F.R.	7	Canada	7	Netherlands	7	France	7	Sweden	7	Iceland
6	Luxembourg	5	Germany, F.R.	5	Denmark	5	Norway	5	USA	5	Netherlands
7	Canada	6	USA	6	Norway	6	Canada	6	Australia	6	Canada
8	Norway	8	France	8	Australia	8	Sweden	8	Denmark	8	France
9	Australia	9	Luxembourg	9	Luxembourg	9	Belgium	9	Netherlands	9	Japan
10	Netherlands	10	Belgium	10	Germany, F.R.	10	Denmark	10	Germany, F.R.	10	Belgium
11	France	11	Netherlands	11	Belgium	11	Luxembourg	11	Iceland	11	Austria
12	Belgium	12	Australia	12	Iceland	12	Australia	12	Belgium	12	Denmark
13	Iceland	13	Finland	13	France	13	Iceland	13	Finland	13	Sweden
14	Finland	14	Iceland	14	New Zealand	14	Austria	14	France	14	Australia
15	New Zealand	15	Austria	15	Finland	15	Finland	15	New Zealand	15	USA
16	UK	16	Japan	16	UK	16	Japan	16	Austria	16	Finland
17	Austria	17	New Zealand	17	Austria	17	New Zealand	17	Italy	17	Ireland
18	Italy	18	UK	18	Italy	18	Italy	18	UK	18	Italy
19	Japan	19	Italy	19	Ireland	19	UK	19	Japan	19	New Zealand
20	Ireland	20	Spain	20	Spain	20	Spain	20	Ireland	20	Spain
21	Spain	21	Ireland	21	Japan	21	Ireland	21	Spain	21	UK
22	Greece	22	Greece	22	Greece	22	Greece	22	Greece	22	Greece
23	Portugal	23	Portugal	23	Portugal	23	Portugal	23	Portugal	23	Portugal
24	Turkey	24	Turkey	24	Turkey	24	Turkey	24	Turkey	24	Turkey

a Excluding Yugoslavia.
b Gross fixed capital formation.
c GDP and GFCF are measured in constant US dollars at the exchange rates and price levels of 1975.

Source: I.A.C., Annual Report 1981-82, AGPS, Canberra, 1982, p.18; p.16

4.4 (a) Economic And Social Indices, Various Countries, Selected Periods

Income group/ region/country	Population				Gross domestic product				GDP per capita			
	1950-60	1960-65	1965-70	1970-81	1950-60	1960-65	1965-70	1970-81	1950-60	1960-65	1965-70	1970-81
Developing economies by region and country (cont.)												
Southern Europe												
Cyprus	1.5	0.3	0.8	0.3	4.0	3.7	8.1	5.8	2.5	3.3	7.3	5.5
Greece	1.0	0.6	0.5	0.9	8.0	7.7	7.2	4.3	5.0	7.1	6.7	3.3
Israel	5.3	4.0	3.0	2.6	11.3	9.8	8.7	4.0	5.6	5.6	5.5	1.3
Malta	0.5	-0.6	0.5	1.1	3.3	0.3	9.0	11.3	2.7	0.9	8.5	10.1
Portugal	0.5	0.8	-0.2	0.8	4.1	6.4	6.4	4.2	3.6	5.5	6.7	3.4
Turkey	2.8	2.5	2.5	2.3	6.3	5.3	6.3	5.2	3.4	2.8	3.7	2.8
Yugoslavia	1.2	1.1	0.9	0.9	5.6	6.6	6.2	5.8	4.4	5.4	5.2	4.9
High-income oil exporters												
Bahrain	3.0	3.1	3.0	5.1	..	..	..	7.4[q]	..	..	..	2.1[q]
Kuwait	7.3	10.2	9.5	6.3	..	4.7[i]	5.7	2.0	..	-4.8[i]	-3.5	-4.0
Libyan Arab Republic	2.7	3.8	4.1	4.1	..	31.0[i]	17.1	2.5	..	26.2[i]	12.5	-1.6
Oman	2.0	2.5	2.7	3.1	..	5.7	39.7	5.9	..	3.2	36.0	2.6
Qatar	5.9	7.1	6.9	6.3	..	..	..	..	..	..	..	..
Saudi Arabia	2.4	3.3	3.7	4.5	..	..	9.1	10.3	..	..	5.2	5.5
United Arab Emirates	2.5	9.2	10.2	16.6	..	..	..	11.8	..	..	..	-1.2
Industrial market economies												
Australia	2.3	2.1	1.8	1.4	3.9[f]	5.5	6.2	2.8	1.6[f]	3.3	4.3	1.4
Austria	0.2	0.6	0.4	0.1	6.0	4.3	5.1	3.5	5.8	3.7	4.6	3.3
Belgium	0.6	0.8	0.4	0.2	2.2[g]	5.2	4.8	3.0	1.6[g]	4.4	4.5	2.8
Canada	2.7	1.9	1.6	1.2	4.6	5.8	4.8	3.8	1.9	3.9	3.1	2.6
Denmark	0.7	0.8	0.8	0.3	3.2[g]	5.1	4.0	2.1	2.4[g]	4.3	3.2	1.8
Finland	1.0	0.6	0.2	0.4	4.9	4.5	4.8	3.1	3.9	3.9	4.5	2.7
France	0.9	1.4	0.8	0.5	4.5	5.9	5.3	3.3	3.5	4.4	4.5	2.8
Germany, Federal Republic of	1.0	1.3	0.6	0.0	8.7	4.8	4.5	2.6	7.6	3.5	3.9	2.6
Iceland	2.1	2.0	1.0	1.1	3.1	7.1	1.1	4.3	1.0	5.0	0.1	3.1
Ireland	-0.5	0.4	0.5	1.3	1.5	4.0	5.3	4.0	2.0	3.6	4.8	2.7
Italy	0.6	0.7	0.6	0.4	5.7	5.1	6.3	2.9	5.0	4.4	5.7	2.5
Japan	1.3	1.0	1.1	1.1	6.4[r]	10.1	11.5	4.5	5.0[r]	9.0	10.3	3.4
Luxembourg	0.6	1.1	0.4	0.5	..	3.5	4.0	2.4	..	2.4	3.6	1.9
Netherlands, The	1.3	1.5	1.1	0.8	4.6	4.9	5.7	2.7	3.3	3.3	4.6	1.9
New Zealand	2.2	2.1	1.4	1.5	2.4	4.4	3.0	2.0	0.1	2.2	1.6	0.5
Norway	0.9	0.8	0.8	0.5	3.5	4.4	3.9	4.5	2.6	3.6	3.0	4.0
Spain	0.8	1.0	1.1	1.1	..	8.4	6.3	3.4	..	7.3	5.2	2.3
Sweden	0.6	0.7	0.8	0.3	3.4	5.2	4.1	1.8	2.8	4.5	3.3	1.5
Switzerland	1.3	1.9	1.3	0.1	4.5	5.2	4.2	0.7	3.1	3.2	2.8	0.7
United Kingdom	0.3	0.8	0.4	0.1	2.4	3.2	2.6	1.7	2.0	2.4	2.2	1.6
United States	1.7	1.5	1.1	1.0	3.2	4.7	3.1	2.9	1.5	3.2	2.0	1.9
East European nonmarket economies												
Albania	2.8	3.3	2.6	2.5	..	..	..	..	..	..	..	..
Bulgaria	0.8	0.8	0.7	0.5	..	..	..	..	..	..	..	..
Czechoslovakia	1.0	0.7	0.3	0.7	..	..	..	..	..	..	..	..
German Democratic Republic	-0.6	-0.2	0.0	-0.2	..	..	..	..	..	..	..	..
Hungary	0.7	0.3	0.4	0.4	..	4.7	6.3	5.0	..	4.4	5.9	4.6
Poland	1.8	1.3	0.7	0.9	..	..	..	..	..	..	..	..
Romania	1.2	0.7	1.3	0.9	..	..	..	..	..	..	..	..
Union of Soviet Socialist Republics	1.8	1.8	0.9	0.9	..	..	..	..	..	..	..	..

a. Excludes People's Republic of China. b. Excludes Iran and Iraq. c. 1972-81. d. 1966-70. e. 1967-70. f. 1970-80. g. 1970-78. h. 1961-65. i. 1962-65. j. 1970-77. k. 1953-80. l. 1970-79. m. 1971-81. n. 1978-81. o. 1972-79. p. 1973-79. q. 1973-80. r. 1952-80. s. 1953-80.

Source: The World Bank, World Tables, Johns Hopkins University Press, 1983,

Table 4.4 (b) Economic Indices, United States, 1950-1981

	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1950-60	1960-70	1970-81	
Population																	Average annual growth rate (percent)			
(Total, midyear, thousands)	152271.0	165932.0	180671.0	194303.0	205052.0	207661.0	209896.0	211909.0	213854.0	215973.0	218035.0	220239.0	222585.0	225055.0	227658.0	229807.0	1.7	1.3	1.0	(Total, midyear, thousands)
GDP by industrial origin									At current factor cost		(millions of US dollars)						As percentage of GDP			
Agriculture	..	..	20000.0	22200.0	26900.0	28900.0	33400.0	51700.0	49800.0	50200.0	47800.0	49800.0	60500.0	73000.0	71900.0	83700.0	4.0[a]	3.1	3.0	Agriculture
Mining	..	..	12700.0	13600.0	17800.0	17500.0	19100.0	21900.0	32500.0	39100.0	43300.0	49000.0	54000.0	69900.0	94700.0	128000.0	2.5[a]	2.0	2.8	Mining
Manufacturing	..	..	144700.0	198900.0	254100.0	267400.0	294400.0	328500.0	343400.0	361000.0	413400.0	465800.0	523200.0	574800.0	596800.0	661800.0	28.6[a]	27.9	24.1	Manufacturing
Construction	..	..	23400.0	33000.0	49400.0	54100.0	59900.0	67000.0	70000.0	70800.0	77400.0	87600.0	101000.0	114400.0	121100.0	127400.0	4.6[a]	4.8	4.7	Construction
Electricity, gas, and water	..	..	12900.0	16800.0	23300.0	26200.0	29000.0	31400.0	32500.0	40300.0	44500.0	50100.0	56100.0	60400.0	66800.0	80600.0	2.8[a]	2.4	2.6	Electricity, gas, and water
Transport and communications	..	..	33200.0	44200.0	62900.0	68100.0	75800.0	83500.0	91200.0	96100.0	108800.0	121200.0	137700.0	152600.0	167000.0	185400.0	6.6[a]	6.4	6.4	Transport and communications
Trade and finance[b]	..	..	173400.0	236800.0	352600.0	383700.0	420900.0	466400.0	509900.0	553100.0	610100.0	688600.0	771900.0	868300.0	957300.0	1065400.0	34.3[a]	34.7	36.2	Trade and finance[b]
Public administration and defense	..	..	54700.0	77700.0	132700.0	144800.0	158300.0	172200.0	189400.0	210800.0	227700.0	246300.0	269500.0	293800.0	318900.0	349500.0	10.8[a]	11.9	12.9	Public administration and defense
Other branches	..	..	30400.0	45800.0	89200.0	82500.0	89200.0	92600.0	102300.0	117500.0	133100.0	144700.0	158300.0	170100.0	191100.0	211700.0	6.0[a]	6.8	7.4	Other branches
GDP at factor cost[c]	287800.0	399900.0	505300.0	688600.0	988700.0	1073200.0	1180000.0	1315300.0	1420900.0	1538800.0	1705900.0	1902600.0	2132100.0	2377200.0	2587400.0	2893300.0	100.0	100.0	100.0	GDP at factor cost[c]
Net indirect taxes	23100.0	31700.0	44100.0	59500.0	89300.0	98700.0	104500.0	115300.0	125300.0	135000.0	145900.0	158300.0	168600.0	178800.0	201200.0	239000.0	8.3	8.7	8.3	Net indirect taxes
GDP at market prices	287800.0	399900.0	505300.0	688600.0	988700.0	1073200.0	1180000.0	1315300.0	1420900.0	1538800.0	1705900.0	1902600.0	2132100.0	2377200.0	2587400.0	2893300.0	100.0	100.0	100.0	GDP at market prices
GDP by industrial origin																				
(constant 1975 prices)									At constant factor cost		(millions of US dollars)						Average annual growth rate (percent)			
Agriculture	..	42700.0	43100.0	44200.0	46300.0	48400.0	48000.0	48700.0	48900.0	50200.0	47700.0	48800.0	49800.0	52800.0	53600.0	59800.0	..	0.5	1.6	Agriculture
Mining	..	27300.0	27800.0	32400.0	39100.0	38000.0	39200.0	39500.0	39700.0	39100.0	39500.0	41000.0	42400.0	43600.0	45900.0	47400.0	..	3.7	1.8	Mining
Manufacturing	..	208600.0	216500.0	296800.0	328200.0	333800.0	364800.0	406300.0	390200.0	361000.0	394100.0	419200.0	442200.0	458000.0	436900.0	446700.0	..	5.3	2.9	Manufacturing
Construction	..	55500.0	67100.0	79200.0	78100.0	84800.0	86700.0	87900.0	78000.0	70800.0	77200.0	80900.0	86000.0	85300.0	79800.0	78000.0	..	2.0	-0.2	Construction
Electricity, gas, and water	..	14300.0	19500.0	25200.0	34000.0	36300.0	37400.0	39300.0	37900.0	40300.0	40500.0	42000.0	44100.0	45300.0	46400.0	46700.0	..	5.9	2.8	Electricity, gas, and water
Transport and communications	..	45800.0	50100.0	63600.0	80800.0	81900.0	88200.0	94000.0	96900.0	98100.0	101700.0	106000.0	116900.0	123500.0	126100.0	127200.0	..	5.5	4.6	Transport and communications
Trade and finance[b]	..	266400.0	302000.0	381100.0	463100.0	482500.0	513500.0	546300.0	548900.0	553100.0	579200.0	614100.0	647900.0	671200.0	676500.0	689500.0	..	4.6	3.8	Trade and finance[b]
Public administration and defense	..	122000.0	136900.0	160700.0	193200.0	194800.0	196300.0	198500.0	206100.0	210700.0	212200.0	215300.0	221400.0	225900.0	227800.0	228200.0	..	3.8	1.7	Public administration and defense
Other branches	..	49100.0	69800.0	90000.0	98400.0	102500.0	104300.0	99300.0	103000.0	117500.0	121900.0	131100.0	123700.0	118100.0	129100.0	140100.0	..	3.6	3.1	Other branches
GDP at factor cost[c]	678100.0	831700.0	932600.0	1172900.0	1360900.0	1402500.0	1478300.0	1559800.0	1549800.0	1538800.0	1614000.0	1700200.0	1774000.0	1823600.0	1821900.0	1863600.0	3.2	4.3	2.9	GDP at factor cost[c]
Net indirect taxes	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Net indirect taxes
GDP at market prices	678100.0	831700.0	932600.0	1172900.0	1360900.0	1402500.0	1478300.0	1559800.0	1549800.0	1538800.0	1614000.0	1700200.0	1774000.0	1823600.0	1821900.0	1863600.0	3.2	4.3	2.9	GDP at market prices
Resources and expenditures									At current market prices		(millions of US dollars)						As percentage of GDP			
GNP	289100.0	401900.0	506800.0	694500.0	996000.0	1082400.0	1190900.0	1331300.0	1440700.0	1556100.0	1726400.0	1926100.0	2162000.0	2421000.0	2637000.0	2948700.0	100.6	100.8	101.4	GNP
Factor payments to abroad (net)	1300.0	2000.0	3800.0	5900.0	7300.0	9200.0	10900.0	16000.0	19800.0	17300.0	20500.0	23500.0	29900.0	43800.0	49800.0	55400.0	0.6	0.8	1.4	Factor payments to abroad (net)
GDP	287800.0	399900.0	505300.0	688800.0	988700.0	1073200.0	1180000.0	1315300.0	1420900.0	1538800.0	1705900.0	1902600.0	2132100.0	2377200.0	2587400.0	2893300.0	100.0	100.0	100.0	GDP
Imports of goods and N.F.S.	11800.0	17200.0	22200.0	30500.0	54300.0	60900.0	72800.0	89300.0	124700.0	119800.0	147900.0	178000.0	206800.0	245100.0	286800.0	306200.0	4.3	4.8	9.0	Imports of goods and N.F.S.
Exports of goods and N.F.S.	12700.0	20100.0	25800.0	35100.0	56400.0	59400.0	66900.0	90300.0	120100.0	131400.0	141800.0	150500.0	176300.0	215000.0	260800.0	277700.0	4.9	5.2	8.3	Exports of goods and N.F.S.
Total resources	287100.0	397100.0	501700.0	684000.0	986800.0	1074700.0	1185700.0	1314300.0	1425400.0	1527100.0	1712200.0	1930100.0	2162300.0	2407200.0	2613200.0	2921800.0	99.4	99.6	100.7	Total resources
Private consumption	191000.0	251900.0	322500.0	428700.0	621600.0	674200.0	739700.0	815100.0	891200.0	979600.0	1090300.0	1212000.0	1352700.0	1515400.0	1677900.0	1853000.0	64.2	62.3	63.6	Private consumption
General government consumption	34600.0	62900.0	85500.0	117400.0	189500.0	198000.0	216800.0	232500.0	260900.0	291400.0	316500.0	343500.0	372100.0	413900.0	468300.0	522600.0	15.3	18.3	18.1	General government consumption
Gross domestic investment	61500.0	82300.0	93700.0	137900.0	175500.0	202500.0	229200.0	266700.0	273300.0	256100.0	305400.0	374800.0	437500.0	477900.0	467000.0	546200.0	19.9	18.9	19.0	Gross domestic investment
Resources and expenditures																				
(constant 1975 prices)									At constant market prices		(millions of US dollars)						Average annual growth rate (percent)			
GNP	682800.0	837700.0	939100.0	1182900.0	1371000.0	1414500.0	1492000.0	1578800.0	1571100.0	1556100.0	1633400.0	1721200.0	1798900.0	1857200.0	1856800.0	1899100.0	3.2	4.3	3.0	GNP
Factor payments to abroad (net)	4700.0	6000.0	6500.0	10000.0	10100.0	12000.0	13700.0	19000.0	21500.0	17300.0	19400.0	21000.0	24900.0	33600.0	34900.0	35500.0	..	..	..	Factor payments to abroad (net)
GDP	678100.0	831700.0	932800.0	1172900.0	1360900.0	1402500.0	1478300.0	1559800.0	1549800.0	1538800.0	1614000.0	1700200.0	1774000.0	1823600.0	1821900.0	1863600.0	3.2	4.3	2.9	GDP
Imports of goods and N.F.S.	15200.0	19900.0	53700.0	72800.0	114000.0	121300.0	134700.0	141000.0	136800.0	119800.0	143900.0	156500.0	173600.0	178100.0	170800.0	180700.0	13.5	8.7	4.2	Imports of goods and N.F.S.
Exports of goods and N.F.S.	30700.0	44100.0	51800.0	66900.0	92600.0	93500.0	102300.0	122200.0	133200.0	131400.0	136800.0	139400.0	153000.0	164900.0	180700.0	176700.0	5.3	6.2	6.4	Exports of goods and N.F.S.
Total resources	662600.0	807500.0	934700.0	1178800.0	1382200.0	1430200.0	1510700.0	1578500.0	1552900.0	1527100.0	1621300.0	1717300.0	1794600.0	1834900.0	1812000.0	1867600.0	3.5	4.5	2.8	Total resources
Private consumption	402200.0	470000.0	566000.0	696300.0	846400.0	877900.0	928300.0	966400.0	959700.0	979600.0	1034200.0	1062500.0	1131300.0	1163000.0	1168200.0	1191100.0	3.5	4.4	3.2	Private consumption
General government consumption	112700.0	164900.0	189400.0	225500.0	273800.0	267400.0	273800.0	274600.0	284400.0	291400.0	297200.0	303900.0	307100.0	317600.0	326800.0	333300.0	5.3	4.2	2.0	General government consumption
Gross domestic investment	147700.0	172800.0	179300.0	255000.0	262200.0	284900.0	306800.0	337500.0	306800.0	256100.0	289900.0	330900.0	356200.0	354300.0	317000.0	343200.0	2.0	5.0	1.9	Gross domestic investment
Investment financing									At current market prices		(millions of US dollars)						As percentage of GDI			
Gross domestic investment	61500.0	82300.0	93700.0	137900.0	175500.0	202500.0	229200.0	266700.0	273300.0	256100.0	305400.0	374800.0	437500.0	477900.0	467000.0	546200.0	100.0	100.0	100.0	Gross domestic investment
Gross national savings (excluding net current transfers from abroad)	63700.0	86900.0	100800.0	148300.0	184900.0	210100.0	234400.0	283700.0	288800.0	285000.0	319800.0	370800.0	437200.0	491800.0	490800.0	573100.0	105.9	106.3	103.9	Gross national savings (excluding net current transfers from abroad)
Net balance of goods and services	2400.0	4900.0	7200.0	10500.0	9400.0	7700.0	5200.0	17000.0	15200.0	29000.0	14200.0	-4000.0	-400.0	13700.0	23800.0	26900.0	6.1	6.3	3.9	Net balance of goods and services
Gross national savings (including net current transfers from abroad)	..	..	..	..	182100.0	206960.7	231012.6	280302.4	281877.2	280714.1	314935.7	366221.8	432392.3	486328.6	484292.4	566568.3	..	..	102.5	Gross national savings (including net current transfers from abroad)
Domestic price indexes (1975=100)																	Average annual growth rate (percent)			
Consumer price (or retail price) index	44.8	49.8	55.0	58.6	72.1	75.2	77.7	82.6	91.6	100.0	105.8	112.7	121.2	134.9	153.1	169.0	2.1	2.6	8.1	Consumer price (or retail price) index
Wholesale price index	46.7	50.2	54.3	55.2	63.1	65.2	68.1	77.0	91.5	100.0	104.6	111.0	119.7	134.7	153.6	167.5	1.5	1.5	9.5	Wholesale price index
Implicit GDP deflator	42.4	48.1	54.2	58.7	72.7	76.5	79.8	84.3	91.7	100.0	105.7	111.9	120.2	130.4	142.0	155.3	2.5	2.9	7.2	Implicit GDP deflator
Foreign exchange rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	National currency per US dollar 1.000	1.000	1.000	(annual average) 1.000	1.000	1.000	1.000	1.000	1.000				Foreign exchange rate

a. 1980 b. Includes ownership of dwellings c. GDP at market prices

Source: The World Bank, World Tables, Johns Hopkins University Press, 1983

Table 4.5 United States Foreign Direct Investment 1929-1970

(a) US Direct Foreign Investment, By Geographical Breakdown, 1929-1970

($ billion)

	Book Value At Year-End			
	1929	1950	1960	1970[1]
Canada	2.0	3.6	11.2	22.8
Europe	1.4	1.7	6.7	24.5
Japan	.3	-	.4	1.5
Other Developed	-	.4	1.3	4.4
Latin America	3.5	4.4	8.4	14.7
Middle East	-	-	1.1	2.0
Other Less Developed	-	-	1.4	4.6
Unallocated	.3	1.7	1.5	3.6
Total	7.5	11.8	32.0	78.1

(b) Book Values of US Direct Foreign Investment Abroad, By Industry Breakdown, 1929, 1950, 1960, 1970

($ billion)

Industry	1929	1950	1960	1970[1]
Manufacturing	1.8	3.8	11.1	32.2
Petroleum	1.1	3.4	10.8	21.8
Mining And Smelting	1.2	1.1	3.0	6.1
Other[2]	3.4	3.5	7.0	17.9
Total	7.5	11.8	31.9	78.1

(c) US Direct Foreign Investment Expenditures, By Manufacturing Industries, Selected Years

($ million)

Industry	1964-66	1967-69	1970-72[1]
Chemicals	2,642	3,500	3,900
Non-Electrical Machinery	1,807	3,400	6,700
Electrical Machinery	709		
Transportation Equipment	2,725	2,000	3,100
Food	548		
Paper	688		
Rubber	471	4,400	7,100
Non-ferrous Metals	1,122		
Other	-		

1. Estimated
2. Principally trade, transportation, and utilities, and agriculture

Source: US Senate Committee On Finance, Implications Of Multinational Firms For World Trade And Investment And For US Trade And Labor, US Government Publishing Office, Washington D.C., 1973, p.97; p.105; p.106

Table 4.6 US Direct Investments In Selected Countries

Country	Value of US Direct Investment, 1967 ($US million)	Per Capita Value, US Direct Investment, 1967 ($US)
Canada	18,069	901
Venezuela	2,553	286
Australia	2,354	204
United Kingdom	6,101	112
West Germany	3,487	58
France	1,904	39
Mexico	1,342	30
Japan	868	9

Source: D.T.Brash, "Australia As Host To The International Corporation" in C.P.Kindleberger (ed), The International Corporation, M.I.T., USA, 1970, pp.293-318

Table 4.7 The Changing Position Of Japan In The World

(a) Projected changes in the relative position of Japan, the United States, and the EC (1964-1970-1974-1979)

A polar structural analysis places the countries of the world in positions indicated in the following regular tetrahedron formed with Japan, the US, the EC, and the USSR at its apexes. With the exception of the East European countries (13), other regions are plotted close to the planes of Japan, the US, and the EC. The chart shows the changing relationships of various regions with one another.

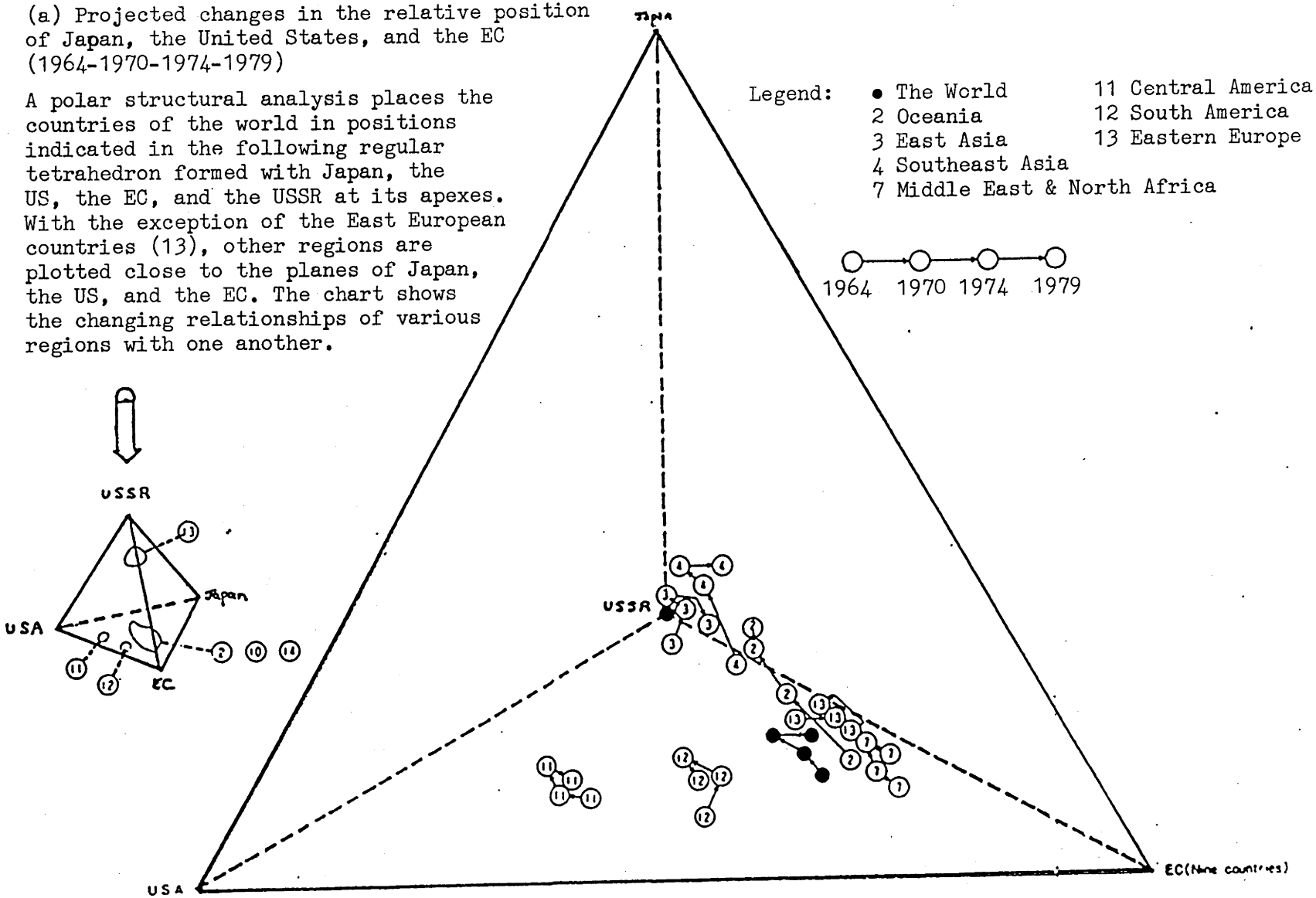
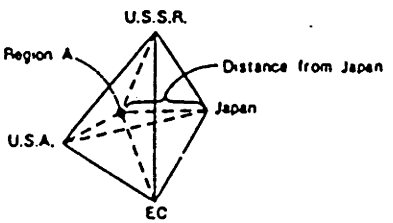


Table 4.7 (Cont)

(b) Relative positions of various Countries of the world as plotted in a regular tetrahedron formed with Japan, the US, the EC, and the USSR at its apexes. (1964-1970-1974-1979)
The figures on the right show the distance of a given country from the apexes occupied by Japan, the US, the EC, the US, and the USSR. The closer the country is to an apex, the stronger its inter-dependence with the country occupying such an apex.

Source: J.I.I.A, White Papers Of Japan 1982-83, JIIA, Tokyo, 1984, Appendix 1.



(Legend)

●——● The world	⑧ West Africa
② Oceania	⑨ Central Africa
③ East Asia	⑩ East Africa
④ Southeast Asia	⑪ Central America
⑤ Indochina (except Vietnam)	⑫ South America
⑥ Southwest Asia	⑬ Eastern Europe
⑦ The Middle East and North Africa	⑭ Western Europe except the EC

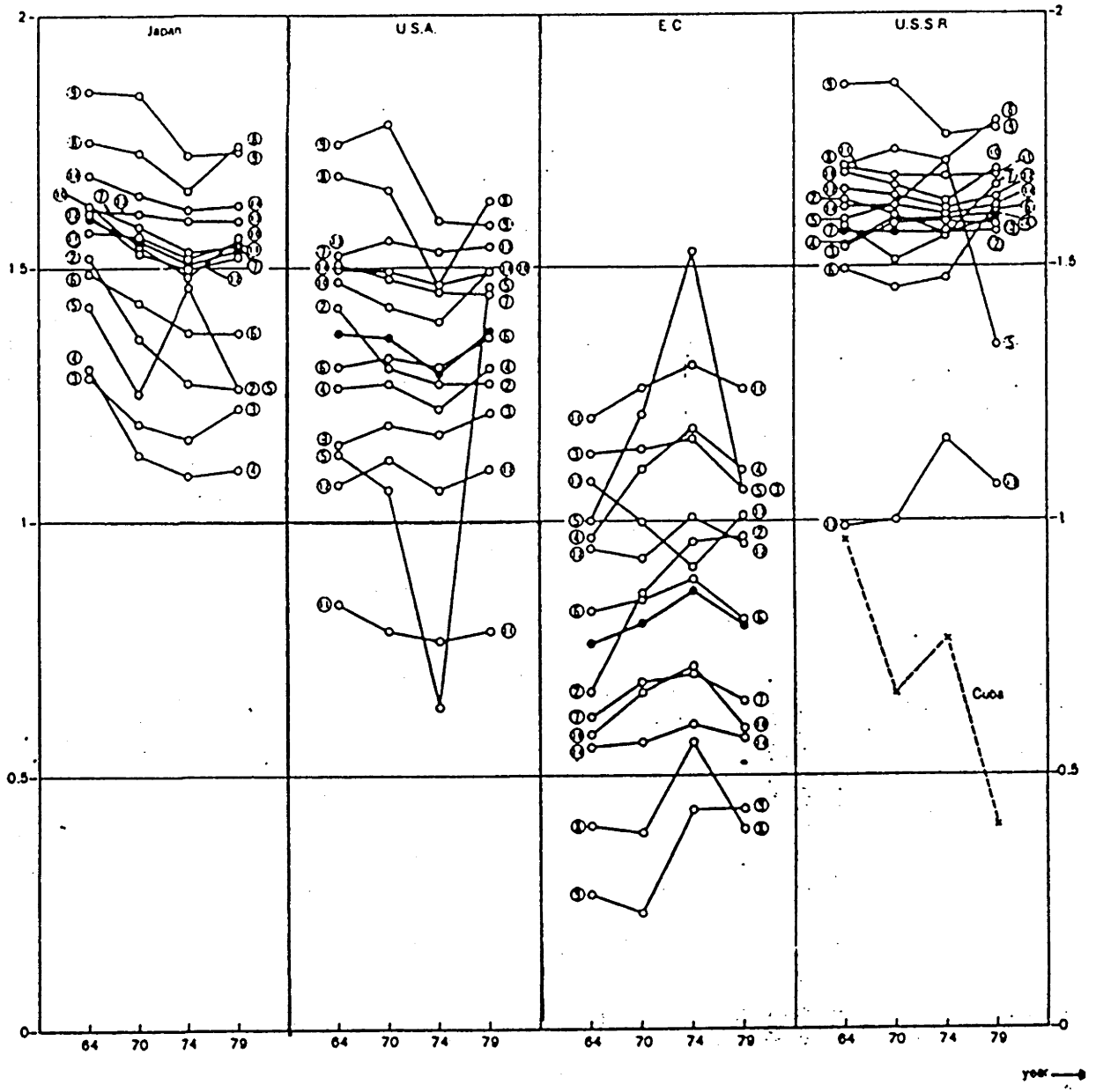
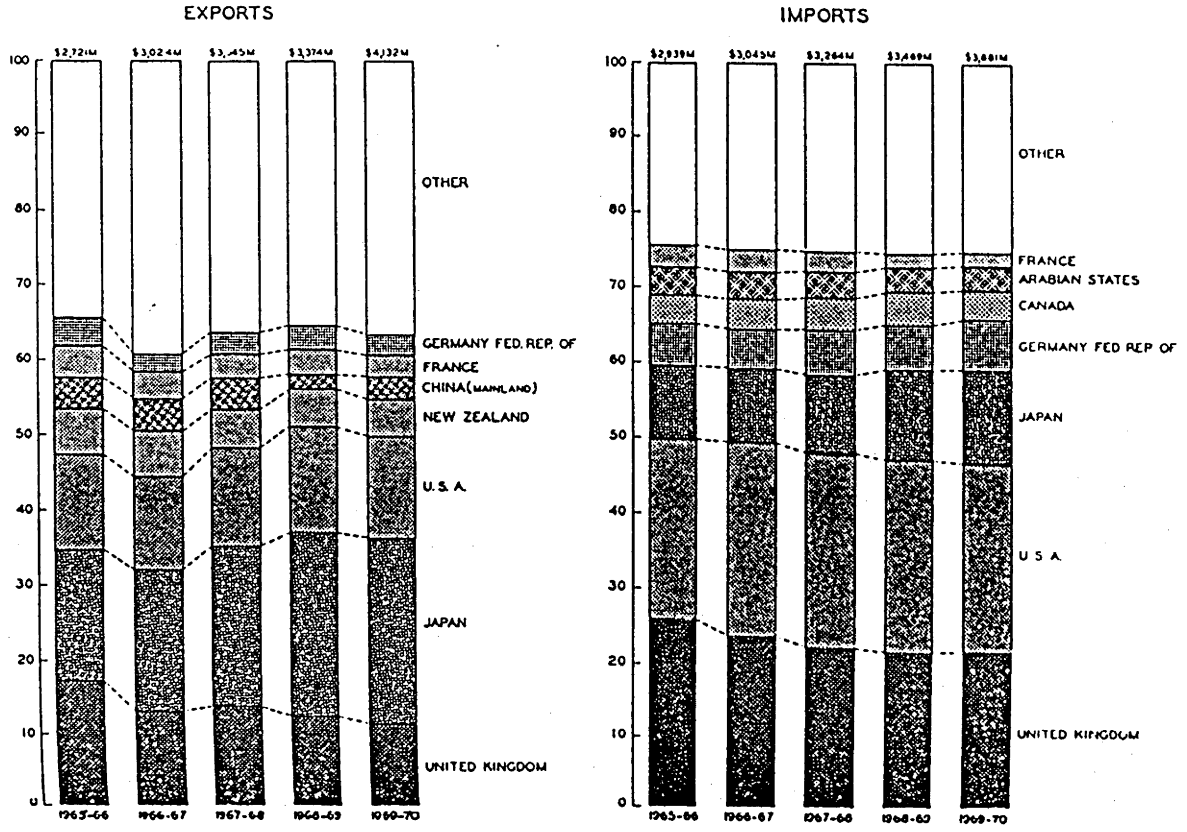
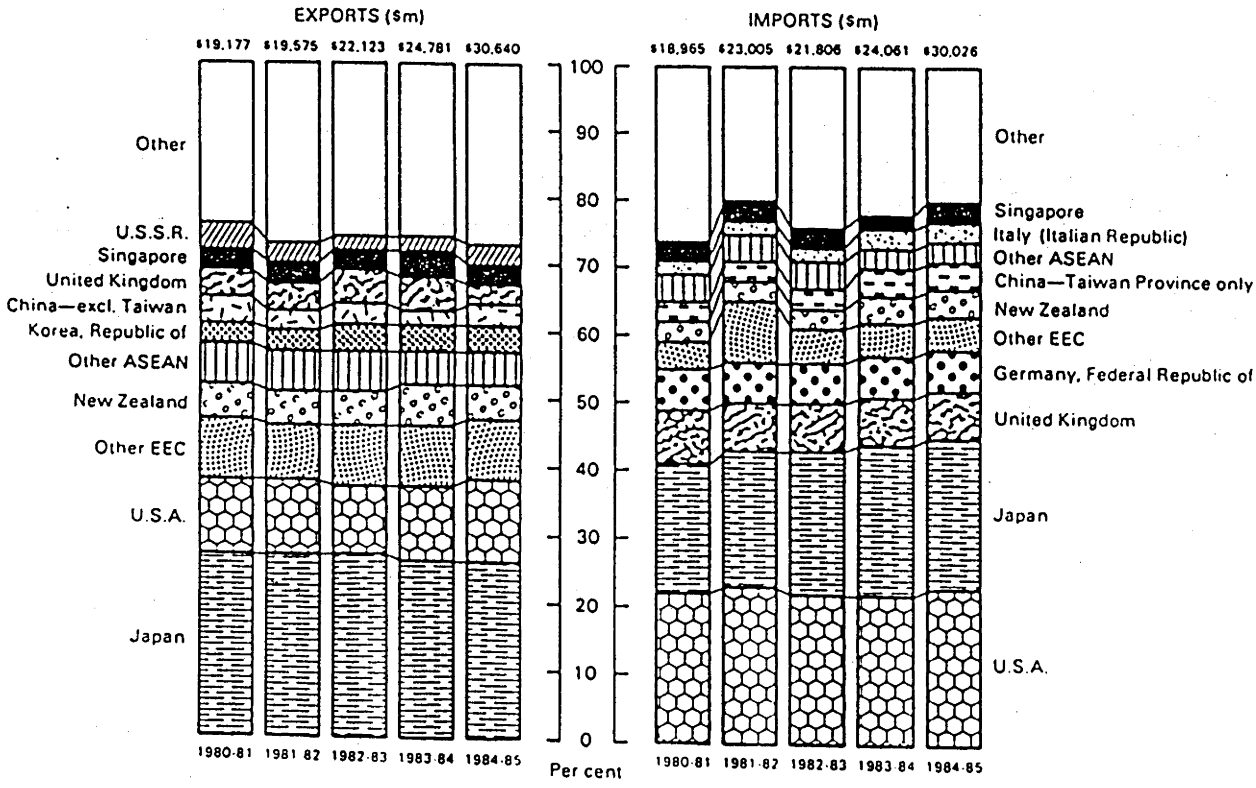


Table 4.8 Value Of Imports And Exports, Australia, By Country Share



VALUE OF EXPORTS AND IMPORTS, AUSTRALIA, PROPORTIONS BY COUNTRY, 1980-81 TO 1984-85



Source: Australian Commonwealth, Yearbook, AGPS, Canberra, 1971, 1986

Table 4.9 Direct Foreign Investment By Countries and Region From Japan

(Unit: Cases, US$ million, %)

Fiscal year / Country or region	Fiscal 1981			Fiscal 1982			Cumulative fiscal 1951 to fiscal 1982		
	Cases	Amount	Share	Cases	Amount	Share	Cases	Amount	Share
U.S.	896	2,354	23.4	359	2,756	35.5	7,795	13,779	23.3
Canada	63	167	1.9	52	167	2.2	599	1,255	2.4
North America total	931	2,522	28.2	911	2,905	37.9	10,594	15,225	28.7
Brazil	55	316	3.5	51	322	4.2	1,215	3,545	6.7
Panama	225	614	6.9	260	722	9.4	1,064	2,022	3.8
Mexico	16	82	0.9	12	143	1.9	207	1,042	2.0
Peru	2	4	0.0	8	185	2.4	91	679	1.3
Bermuda	6	32	0.4	2	5	0.1	65	410	0.8
Cayman	1	26	0.3	4	6	0.1	48	215	0.4
Argentina	12	58	0.6	9	45	0.6	106	145	0.3
Chile	1	3	0.0	6	13	0.2	50	140	0.3
Puerto Rico	3	15	0.2	2	6	0.1	37	140	0.3
Venezuela	6	7	0.1	5	8	0.1	76	129	0.2
Antilles	–	–	–	3	31	0.4	28	113	0.2
Others	28	24	0.3	27	19	0.2	440	270	0.5
Latin America total	353	1,181	13.2	369	1,503	19.5	3,427	8,952	16.7
Indonesia	88	2,434	27.3	84	410	5.3	1,148	7,268	13.7
Hong Kong	178	329	3.7	161	400	5.2	2,002	1,825	3.4
Singapore	164	266	3.0	154	180	2.3	1,373	1,385	2.6
Republic of Korea	33	73	0.8	26	103	1.3	1,105	1,312	2.5
Malaysia	41	31	0.3	77	83	1.1	720	764	1.4
Philippines	28	72	0.8	19	34	0.4	583	721	1.4
Thailand	52	31	0.3	66	94	1.2	833	521	1.0
Taiwan	98	54	0.6	65	55	0.7	1,225	479	0.9
Brunei	–	5	0.1	–	–	–	19	100	0.2
Others	30	43	0.5	17	25	0.3	316	180	0.3
Asia total	712	3,338	37.4	669	1,384	18.0	9,344	14,552	27.4
Saudi Arabia & Kuwait	–	50	0.6	–	41	0.5	4	1,113	2.1
Iran	–	0	0.0	–	0	0.0	108	1,002	1.9
Saudi Arabia	10	45	0.5	13	57	0.7	73	225	0.4
Others	7	1	0.0	7	26	0.3	89	139	0.3
Middle & Near East total	17	96	1.1	20	124	1.6	274	2,479	4.7
United Kingdom	49	110	1.2	64	176	2.3	829	2,296	4.3
Federal Republic of Germany	55	116	1.3	76	194	2.5	604	808	1.5
France	31	54	0.6	35	102	1.3	529	540	1.0
Netherlands	20	138	1.5	24	73	0.9	201	509	1.0
Belgium	15	107	1.2	10	64	0.8	202	462	0.9
Switzerland	12	67	0.8	16	79	1.0	145	337	0.6
Luxembourg	5	104	1.2	6	127	1.6	56	336	0.6
Spain	11	39	0.4	11	19	0.2	111	231	0.4
U.S.S.R.	–	–	–	–	–	–	6	193	0.4
Ireland	7	21	0.2	2	6	0.1	50	176	0.3
Italy	9	28	0.3	11	19	0.2	109	114	0.2
Others	15	14	0.2	17	17	0.2	181	145	0.3
Europe total	229	798	8.9	272	876	11.4	3,023	6,146	11.6
Liberia	68	466	5.2	69	434	5.6	485	1,692	3.2
Zaire	6	12	0.1	5	11	0.1	56	267	0.5
Nigeria	4	1	0.0	5	2	0.0	85	156	0.3
Zambia	2	55	0.6	1	20	0.3	15	120	0.2
Others	24	39	0.4	19	22	0.3	286	274	0.5
Africa total	104	573	6.4	99	489	6.3	923	2,507	4.7
Australia	108	348	3.9	153	370	4.8	972	2,582	5.4
New Zealand	41	56	0.6	50	31	0.4	178	212	0.4
Papua New Guinea	16	7	0.1	11	10	0.1	159	177	0.3
Others	22	13	0.1	13	10	0.1	169	98	0.2
Oceania total	187	424	4.7	212	421	5.5	1,478	3,370	6.3
Total	2,563	8,931	100.0	2,552	7,703	100.0	29,063	53,131	100.0

Notes: Countries listed are those with cumulative investment over US$100 million from fiscal 1951 to 1982.

Source: M.I.T.I, Japan's Direct Overseas Investments In Fiscal 1982, NR-281 (83-5), 18 July, 1983

Table 4.10 The Growth And Spread Of Japanese Multinational Corporations

(a) Number of subsidiaries created by the 43 Japanese manufacturing enterprises listed among "Fortune's" 200 non-US enterprises, by year of establishment, 1957-70

Year	Number	Per Cent
Pre-1957	74	20.0
1957-58	6	1.6
1959-60	15	4.1
1961-62	26	7.0
1963-64	41	11.1
1965-66	39	10.5
1967-68	68	18.4
1969-70	101	27.3
Total	370	100.0

(b) Geographical Spread of manufacturing subsidiaries owned by "Fortune's" 43 Japanese enterprises, 1951-70

Location	Number	Per Cent
Asia	229	62.4
Latin America	62	16.8
Europe	18	4.9
White Commonwealth	18	4.9
United States & Canada	17	4.6
Africa	17	4.6
Other	6	1.6
Total	367	100.0

Source: M.Yoshino, Japan's Multinational Enterprises, Harvard University Press, Mass., USA, 1976, p.91

Table 5.1 Unit Overseas Production, Cars And Trucks, Ford And General Motors, 1938

Country	Ford	General Motors*
Canada	68	56
United Kingdom	77	60
Germany	37	140
France	8	–
Total overseas	190	256
Per cent of total output	23.2	19.6

*Unit sales.
Source: M. Wilkins and F.E. Hill, *American Business Abroad: Ford on Six Continents* (Wayne State University Press, Detroit, 1964), p. 436; Alfred P. Sloan, Jr, *My Years with General Motors* (McFadden Books, New York, 1965), p. 445.

Source: G.Maxcy, The Multinational Motor Industry, Croom Helm, London, 1981, p.87

Table 5.2 Australian Tariff Rates, Chassis, Various Years

Prevailing tariff rates on chassis, Item 359(D) (4), were:

		British Pref. %	Intermediate %	General %
1920 Unassembled	*ad valorem*	7·5	12·5	17·5
Assembled		10·0	15·0	20·0
1921 Unassembled		5·0	7·5	10·0
Assembled		7·5	10·0	12·5
1925 Unassembled		Free	7·5	12·5
Assembled		5·0	20·0	25·0
1927 Unassembled		Free	12·5	17·5
Assembled		5·0	20·0	25·0

Source: P.Stubbs, The Australian Motor Industry: A Study In Protection And Growth, Cheshire, Australia, 1971, p.12

Table 6.1 The Australian Motor Vehicle Market (Passenger vehicles)

Year	Total Registrations (thousands)	% Change on Corresponding period of previous year
1978	451.1	+4.8%
1979	462.0	+2.4%
1980	450.2	-2.6%
1981	453.8	+0.8%
1982	454.2	+0.1%
1983	410.0	-9.7%

Table 6.2 Motor Vehicles Production, Australia, Selected Years (thousands)

Vehicle Type	1978-79	1979-80	1980-81	1981-82
Cars	298.046	321.997	244.597	285.387
Station Wagons	58.532	77.291	72.432	88.432
Utilities	19.832	18.795	24.840[a]	19.271[a]
Panel Vans	14.492	10.449	-	-
Trucks	8.686	8.603	21.715	20.773
Total	395.588	437.131	363.574	413.863

Table 6.3 Market Shares By Make, Selected Years (Per Cent)

Make	1980	1981	1982	1983
GMH	24.6	24.1	25.5	20.9
Ford	19.9	23.0	26.0	28.3
MMAL	13.0	12.5	11.2	10.2
AMI (Toyota)	13.4	12.2	11.4	12.5
Nissan	11.6	12.4	11.0	12.0
Volvo	1.4	1.4	1.2	1.3
Renault/Peugeot	0.7	0.6	0.5	0.6
Mazda	7.7	6.5	5.9	6.3
Honda	2.7	2.2	1.8	1.8
Leyland	0.7	0.6	0.5	0.5

Source: Australian Government, Department of Industry And Commerce, Motor Vehicle Policy, 29 May 1984

Table 6.4 Australian Motor Vehicle Industry, Concentration Level, Selected Years

	INDUSTRY TOTAL		ENTERPRISE GROUPS RANKED BY CONTRIBUTION TO INDUSTRY									
			LARGEST 20 ENTERPRISE GROUPS IN CATEGORIES OF FOUR									
			FIRST		SECOND		THIRD		FOURTH		FIFTH	
	No.	Ratio	No.	Ratio	No.	Ratio	No.	Ratio	No.	Ratio	No.	Ratio
ENTERPRISE GROUPS												
1972-73	30	-	4	.13	4	.13	4	.13	4	.13	4	.13
1977-78	27	-	4	.15	4	.15	4	.15	4	.15	4	.15
1982-83	32	-	4	.13	4	.13	4	.13	4	.13	4	.13
ESTABLISHMENTS												
1972-73	46	-	20	.43	4	.09	4	.09	4	.09	4	.09
1977-78	40	-	15	.33	5	.13	5	.13	4	.10	4	.10
1982-83	45	-	13	.29	6	.13	6	.13	4	.09	4	.09
TURNOVER ($000; Ratio)												
1972-73	1,484,077	-	1,308,241	.88	141,051	.10	23,982	.02	9,764	.01	678	-
1977-78	2,587,019	-	2,165,848	.84	316,244	.12	78,682	.03	18,074	.01	6,536	-
1982-83	4,051,960	-	3,396,027	.84	464,572	.11	121,683	.03	43,281	.01	17.082	-
VALUE-ADDED ($000; Ratio)												
1972-73	424.593	-	390,587	.92	26,898	.06	4,158	.01	2,339	.01	437	-
1977-78	722,077	-	618,055	.86	69.794	.10	27,103	.04	3,488	-	2,929	-
1982-83	1,207,072	-	1,090,527	.90	78.358	.06	24,367	.02	5,461	-	4,161	-
PERSONS EMPLOYED												
1972-73	54,254	-	48,525	.89	4,738	.09	1,485	.01	327	.01	81	-
1977-78	44,233	-	38,673	.87	4,181	.09	1,013	.02	116	-	201	-
1982-83	30,968	-	26,527	.86	3,161	.10	614	.02	300	.01	152	-
FIXED CAPITAL EXPENDITURE($000;Ratio)												
1972-73	36,526	-	33,649	.92	2,429	.07	133	-	276	.01	16	-
1977-78	137,107	-	107,953	.79	27,687	.20	1,209	.01	38	-	189	-
1982-83	162,287	-	123,791	.76	35,034	.22	2,892	.02	331	-	50	-

Source: ABS, Industry Concentration Statistics, Canberra, Various Years

Table 6.5 Motor Vehicles Manufacturing; Foreign Ownership And Control (1972-73 / 1982-83)

		1972-73	1982-83
ESTABLISHMENTS			
Total	(No.)	46.0	45.0
Foreign Control	(No.)	31.0	62.2
EMPLOYMENT			
Total	(No.)	51,807	30,968
Foreign Ownership	(%)	90.2	96.1
Foreign Control	(%)	99.7	98.5
WAGES AND SALARIES			
Total	($m)	274.0	662.7
Foreign Ownership	(%)	98.6	97.4
Foreign Control	(%)	99.8	98.9
TURNOVER			
Total	($m)	1,484.1	4,052.0
Foreign Ownership	(%)	98.0	96.9
Foreign Control	(%)	99.9	99.2
VALUE-ADDED			
Total	($m)	424.6	1,207.1
Foreign Ownership	(%)	98.8	98.3
Foreign Control	(%)	98.8	99.1
FIXED CAPITAL EXPENDITURE			
Total	($m)	36.5	162.3
Foreign Ownership	(%)	98.8	93.4
Foreign Control	(%)	99.9	99.8

Source: ABS Foreign Ownership And Control Of The Manufacturing Industry, Australia 1982-83, Canberra; 1972-73.

Table 6.6 Australian Government Motor Vehicles Policy: Post-1984 Arrangements

ASSISTANCE ARRANGEMENTS FOR THE PASSENGER MOTOR VEHICLE INDUSTRY: A COMPARATIVE SUMMARY

EXISTING ARRANGEMENTS	INTENDED POST 1984 ARRANGEMENTS ANNOUNCED BY THE PREVIOUS GOVERNMENT	ACTUAL POST 1984 ARRANGEMENTS: THE ALP GOVERNMENT'S POLICY
1. ASSISTANCE AGAINST CBU IMPORT COMPETITION		
• Imports of CBU passenger motor vehicles (PMV's) controlled by QRs - quota level determined annually on basis of 20% of expected market in the following year.	• QRs and 80:20 Market Sharing to be retained until 1/1/85 - as from 1-1-85 Tariff Quotas operate for PMV's with 3 classes of imports - Base Quota; Tender Quota; Above Quota - and 80:20 replaced by a fixed growth in global quota • 105,000 in 1985 increasing at 4,000 pa to reach 133,000 in 1992 • except if market growth to 1988 exceeds 2% then quota to grow at 5,000 pa in 1988 and after.	• QRs to be retained until 1-1-85; coverage of quotas extended to include (in addition to PMV's) certain types of 4WD and certain variants of PMV's: 80:20 Market Sharing relaxed to allow imports of the new types of vehicles brought within quota to achieve 1983 registration levels - as from 1-1-85 Tariff quotas operate with 3 classes of imports - Base Quota; Tender Quota; Above Quota - quota for 1985 set at 110,000 (for all types covered by quota) • for subsequent years quota to be adjusted (up or down as the case may be) in accordance with anticipated movement in the market (eg, if market anticipated to rise by 5%, quota will rise by 5%).
• Quota imports subject to duty at 57 1/2%	• Base quota imports to be dutiable at 57 1/2% • Tender quota imports to be dutiable at whatever (premium) rate tender realises. • Imports outside of base/tender quota dutiable at 150% initially, reducing by 5% pa after 1987 to reach 125% in 1992.	• Base quota imports to be dutiable at 57 1/2% • Tender quota imports to be dutiable at whatever (premium) rate tender realises. • Imports outside of base/tender quota dutiable at 100% initially, reducing by 5% pa to reach 80% in 1989 and then by 7 1/2% pa to 57 1/2% in 1992.
• Other vehicle types not subject to import quotas but attract following duties - light commercials • if variant of PMV : 45% • if not variant : 35% - 4WD vehicles : 25%.	No change.	• Certain types of 4WD vehicles and certain light commercials become subject to the quota and duty arrangements outlined above, viz - 4WD vehicles without an independent chassis - variants of PMV's other than utilities and pickups • Vehicle types not covered by quota attract following duties: - light commercial vehicles (including variants of PMV's which are utilities or pick-ups): 35% - 4WD vehicles (other than those not having an independent chassis): 25%

Table 6.6 (Cont)

EXISTING ARRANGEMENTS	INTENDED POST 1984 ARRANGEMENTS ANNOUNCED BY THE PREVIOUS GOVERNMENT	ACTUAL POST 1984 ARRANGEMENTS: THE ALP GOVERNMENT'S POLICY
2. METHOD OF QUOTA ALLOCATION		
. Quotas allocated on basis of historical performance - no special allocation provisions in respect of Plan producers	. Plan producers and other existing quota holders to receive allocation of base quota (ie, quota dutiable at 57 1/2$) in 1985 as follows: - Plan producers: 7,000 quota each - others: allocation equivalent to 1984 quota allocation . 1985 arrangements for allocation of base quota to also apply in each subsequent year through to 1992 . Quota in excess of these base quota allocations to be allocated by tender; two tender pools to operate - Pool 1: quota from this pool to be for 1 year only - Pool 2: quota from this pool to be for 4 years - bulk of quota for tender to be allocated through Pool 1; Pool 2 to be limited to 2,000 units pa . Plan producers to be excluded from acquiring quota in excess of 7,000 (ie, not able to acquire tender quota; not able to add to base quota allocation by acquiring additional base quota on transfer) . Tender to be by "Dutch auction" with bids in the form of premium percentage rates of duty.	. Plan producers and other existing quota holders to receive allocation of base quota (ie, quota dutiable at 57 1/2$) in 1985 as follows - Plan producers: 6,000 quota each - others: allocation equivalent to 6/7ths of their 1984 allocation . In subsequent years, allocation of base quota to Plan producers and others to be progressively phased out as follows - 1986: 75$ of 1985 allocation; 1987: 50$; 1988: 25$; 1989: no allocation . Quota in excess of these base quota allocations to be allocated by tender; two tender pools to operate - Pool 1: quota from this pool to be for 1 year only - Pool 2: quota from this pool to be for 4 years - quota released as a result of the progressive phase out of base quota to be allocated through Pool 2 and balance of quota for tender goes to Pool 1 . No formal restrictions on level of quota which may be acquired by a Plan producer (i.e. Plan producer able to acquire tender quota and able to acquire additional base quota on transfer) . Tender to be by "Dutch Auction" with bids in the form of premium percentage rates of duty.
3. LOCAL CONTENT PLAN : BASIC ARRANGEMENTS		
. Plan producer required to achieve average 85$ local local content over his production - in return can import balance of content (15$) duty free under by-law	. No change	. Plan producer required to achieve average 85$ local content over his production - in return can import balance of content (15$) duty free under by-law

Table 6.6 (Cont)

EXISTING ARRANGEMENTS	INTENDED POST 1984 ARRANGEMENTS ANNOUNCED BY THE PREVIOUS GOVERNMENT	ACTUAL POST 1984 ARRANGEMENTS: THE ALP GOVERNMENT'S POLICY
3. LOCAL CONTENT PLAN : BASIC ARRANGEMENTS (continued) - 15% by-law entitlement can only be used for importation of components		- restriction limiting use of 15% by-law entitlement to components removed; Plan producers able to use entitlement for either components or CBU vehicles; similar restriction on use of export facilitation credits also removed - vehicles imported by the Plan producer against his by-law entitlement or facilitation credits . will not come within the global quota . will not count as part of production for purposes of the Plan (this will preclude a Plan producer from accruing by-law or export facilitation entitlements in respect of these vehicles) . Amendments to be made to various detailed aspects of the Plan (see policy statement for details) . Announcement in policy statement that it is the Government's intention that the number of model lines within the Plan be reduced to 6 by 1992.
4. LOCAL CONTENT PLAN : EXPORT FACILITATION ARRANGEMENTS (a) Plan producers scheme . Plan producers can increase duty free by-law entitlement on $ for $ basis in return for increased exports over 1979 up to maximum of - 5 content points in 1982 - 6 1/4 content points in 1983 - 7 1/2 content points in 1984.	. The limit to which Plan producers can earn export credits has been increased to 15 content points as follows: 1985 - limit 10 content points 1986 - limit 12 1/2 content points 1987 - limit 15 content points. . No change in other aspects of the scheme	. The limit to which Plan producers can earn export credits increased to 15 content points as follows: 1985 - limit 10 content points 1986 - limit 12 1/2 content points 1987 - limit 15 content points but firms intending to earn credits in excess of 7 1/2% obliged to seek in advance the advice of the Automotive Industry Authority; in cases where the Authority considers that the export programme concerned does not meet the guidelines established by the Government (see details in the policy statement) it can make recommendations to the Minister on action which might be taken on the exports in question (e.g. disallowing credits thereon; waiving of the criteria)

Table 6.6 (Cont)

EXISTING ARRANGEMENTS	INTENDED POST 1984 ARRANGEMENTS ANNOUNCED BY THE PREVIOUS GOVERNMENT	ACTUAL POST 1984 ARRANGEMENTS: THE ALP GOVERNMENT'S POLICY
4. LOCAL CONTENT PLAN : EXPORT FACILITATION ARRANGEMENTS (continued)		
		• Credits to be transferable subject to the same obligation as above to seek the advice of the Authority.
		• Amendments to certain other detailed aspects of the existing arrangements (see policy statement for details).
(b) Component producers scheme		
• Separate export facilitation scheme for specialist producers allows similar credits to be earned up to value of 20% of OE sales to Plan producers	• No change to the current export facilitation scheme for component producers	• Current export facilitation scheme for component producers to be amended to allow direct participation of Plan producers in the scheme on the following basis
- subsidiaries of Plan producers able to participate in the Scheme.		- credits be limited to 20% of sales to other Plan producers of original equipment components for Plan vehicles (i.e. same limit as applies generally under this scheme)
		- the plan producer must first earn credits under the Plan producers' scheme before he can accrue credits under this scheme (to which all of Plan producers exports in the base year will be assigned).
5. IMPORTS OF COMPONENTS OUTSIDE THE PLAN		
(a) For use in assembly outside the Plan		
• Government statement that expansion in assembly activity not favoured but no formal controls apply to imports of CKD packs	• Controls over expansion in assembly outside the Plan to be strengthened viz	• Controls over expansion in assembly outside the Plan to be strengthened
- Imports of CKD packs outside the Plan enter at 35% duty and are free of quota restrictions	- duty level on OE components to be increased to same rate applying to CBU imports (i.e. initially 150% but subsequently phase down by 5% pa starting in 1988 to reach 125% in 1992)	- duty level for CKD packs and certain original equipment components for use in assembly outside the Plan to be increased to the same rate applying to CBU imports (i.e. 100% in 1985, phasing down to 57 1/2% in 1992).
• special by-law allowing imports of CKD packs, which are less than a complete pack to enter at 25%	- existing assemblers to be allowed concessional entry to maintain volume at 1981 levels	- existing non-Plan assemblers to be allowed concessional entry at the following rates: 1985-35%; 1986-45%; 1987-50%; 1988-57 1/2%
- components for replacement parts mainly dutiable at 25%.	• concessional rate to be set initially at 35% but increased by 1987 to 50% in two stages, viz 1986-45%; 1987-50%	• the concession will be limited to assembler's 1981 production or 25 sets, whichever is the highest.
(b) For use as replacement parts	• Imports of components for use as replacement parts to continue to be dutiable at existing rates.	• Imports of components for replacement parts to continue to be dutiable at existing rates.
• Subject to tariffs only; rates vary but most are 25%.		

Table 6.6 (Cont)

EXISTING ARRANGEMENTS	INTENDED POST 1984 ARRANGEMENTS ANNOUNCED BY THE PREVIOUS GOVERNMENT	ACTUAL POST 1984 ARRANGEMENTS: THE ALP GOVERNMENT'S POLICY
6. ADJUSTMENT ASSISTANCE FOR EMPLOYEES		
• No special arrangements.	• No special arrangements.	• Extension of Labour Adjustment Training Arrangements (LATA) scheme to employees retrenched from the industry - recipients receive a training allowance of $46.35 per week, over and above unemployment benefits, for full time training.
7. DESIGN		
• No special arrangements.	• No special arrangements.	• $150m to be provided over five years to vehicle and component manufacturers undertaking specified design activities aimed at developing vehicles or components competitive in domestic and international markets.
8. ARRANGEMENTS FOR PROVIDING COMPANIES WHICH WITHDRAW FROM LOCAL PRODUCTION WITH SPECIAL CBU BASE QUOTA		
• Allocation of special quota determined on a case by case basis.	• Plan producers who withdraw to receive special CBU base quota allocation equivalent to half the average of annual new registrations in the immediately preceding 2 year period of: - those makes/models which the company has been producing locally under the Plan; and - those makes/models which the company has been importing against base quota allocated to it.	• Plan producers who withdraw to receive special CBU base quota allocation equivalent to half the average of annual new registrations in the immediately preceding 2 year period of: - those makes/models which the company has been producing locally under the Plan; and - those makes/models which the company has been importing against base quota allocated to it. • Such special quota to be progressively phased out over 4 years as follows 2nd year : 75% of initial allocation 3rd year : 50% of initial allocation 4th year : 25% of initial allocation 5th year : No allocation. • Arrangements for allocation of special CBU quota to non-Plan assemblers who withdraw to be determined by the Minister.

Source: Australian Government, Department of Industry And Commerce, Motor Vehicle Policy, 29 May 1984, Canberra, Australia

Table 6.7 Australian Labor Party Public Opinion Support Levels 1983-84

		ALP %	L-NP %	Democrats %	Other %
1983	March 5	49.5	43.8	5.0	1.9
	August 27/28	47.0	45.0	6.0	2.0
	Sept. 17/24	51.0	42.0	5.0	2.0
	Oct. 15/22	51.0	42.0	5.0	2.0
	Nov. 12/19	52.0	41.0	4.0	3.0
	Dec. 10/17	52.0	41.0	5.0	2.0
1984	Jan. 21/28	57.0	37.0	4.0	2.0
	Feb. 18/25	54.0	40.0	4.0	2.0
	March 3/10	55.0	39.0	5.0	1.0
	Mar/Apr 31/ 7	54.0	39.0	5.0	2.0
	May 12/27	49.0	39.0	8.0	4.0

Source: The Bulletin Morgan Gallop Poll, 1983-84

Table 6.8 The Major Automobile Manufacturers, By Production, 1982

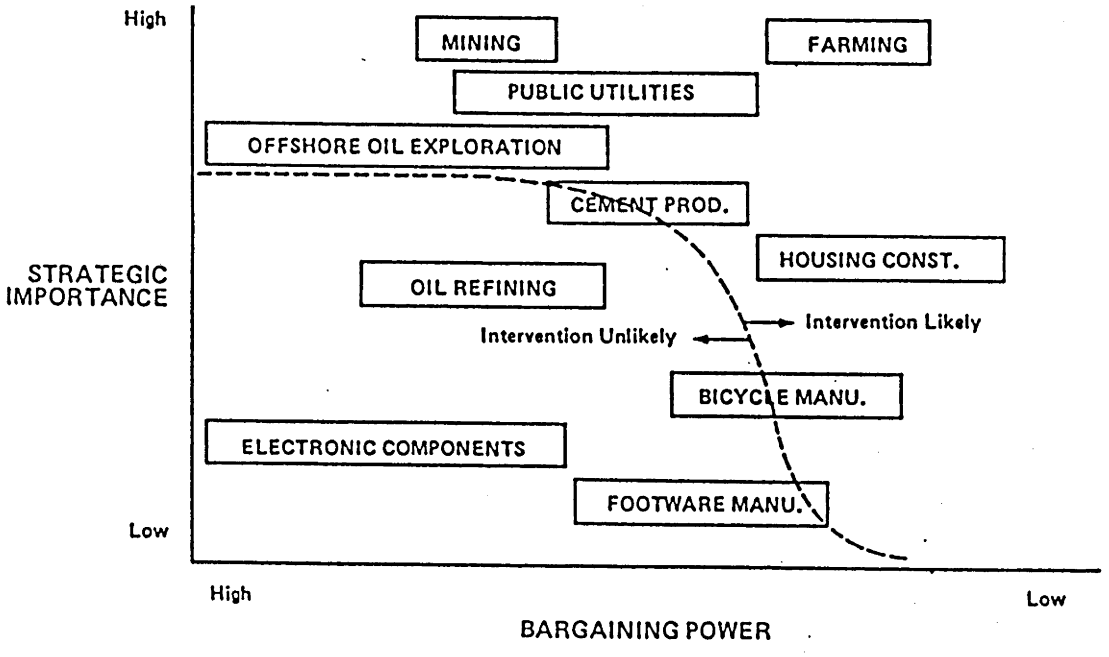
	Worldwide automobile production (thousands)	Size or type category	Percent share of 30 producers' auto production	Number of auto product lines	Worldwide commercial-vehicle production (thousands)
Japan					
Toyota	2,386	Full	9.1	12	1,284
Nissan	2,017	Full	7.7	12	941
Honda	860	Medium	3.3	4	160
Toyo Kogyo	824	Medium	3.2	4	286
Mitsubishi	573	Medium	2.2	5	399
Suzuki	114	Small	0.4	1	489
Isuzu	113	Small	0.4	2	292
Subtotal	6,887		26.3	40	3,851
Western Europe					
Renault	1,962	Full	7.5	10	359
Volkswagen	1,828	Full	7.0	7	94
PSA	1,504	Full	5.7	14	182
Fiat	1,468	Full	5.6	8	192
Daimler-Benz	466	Specialist	1.8	2	242
BL	405	Medium	1.5	6	91
BMW	363	Specialist	1.4	3	0
Volvo	302	Specialist	1.2	3	33
Alfa Romeo	189	Specialist	0.7	3	1
Saab	84	Specialist	0.3	2	21
Subtotal	8,571		32.7	58	1,215
United States					
General Motors	4,779	Full	18.3	15	1,107
Ford	2,993	Full	11.4	15	1,146
Chrysler	750	Medium	2.9	3	224
Subtotal	8,522		32.6	33	2,477
Developing Countries					
ZCZ (Zastava) (Yugoslavia)	175	Small	0.7	3	25
Hyundai (Korea)	60	Small	0.2	1	60
Subtotal	235		0.9	4	85
Eastern Bloc					
Vaz (Lada) (U.S.S.R.)	800	Medium	3.1	2	0
FSO (Polski) (Poland)	240	Small	.9	3	0
Azlk (Moskovitch) (U.S.S.R.)	205	Small	.8	1	0
Wartburg/Trabant (E. Germany)	176	Small	.7	2	40
Skoda (Czechoslovakia)	170	Small	.6	1	50
ZAZ (U.S.S.R.)	150	Small	.6	1	0
GAZ (Volga) (U.S.S.R.)	130	Small	.5	1	0
Dacia (Rumania)	91	Small	.3	1	55

	Worldwide automobile production (thousands)	Size or type category	Percent share of 30 producers' production	Number of auto product lines	Worldwide commercial-vehicle production (thousands)
Subtotal	1,962		7.5	12	145
Total for 30 producers	26,177		100.0	147	7,773

Notes: This table lists automobile and commercial-vehicle production by all of the world's automobile final assemblers who assemble more than 50,000 automobiles annually. Each producer's total includes assemblies by their major foreign subsidiaries with local content above 70 percent (e.g., GM-Opel, GM do Brazil). Thus, the subtotals should not be read as auto production by geographic region but rather as world wide auto production by producers headquartered in a given region. In the table Daihatsu is counted as part of Toyota, American Motors is included with Renault, Fuji Heavy Industries (Subaru) is added in with Nissan, Audi is included with Volkswagen, and Autobianchi, Lancia, and Seat are included with Fiat. In each case the larger firm, as of 1981, either had a controlling equity interest in the smaller firm or supplied all its product designs on license. Because a number of very small producers and some production at low local content are not included, the total production by the 30 largest producers is slightly lower than the world total for 1982 shown in table 2.3. In the case of commercial vehicles the total shown is a considerably smaller portion of world production because this table includes only commercial vehicles produced by firms that are also major auto producers. The term "product line" means a basic body design, commonly called a "platform," including variants such as coupes and station wagons. A number of engine and other mechanical options may be available in the same product line. Only product lines produced in volumes of 20,000 or more units have been counted.

Source: M.I.T., International Automobile Program, The Future of the Automobile, Couterpoint, Sydney, 1985 edn., pp.124-126

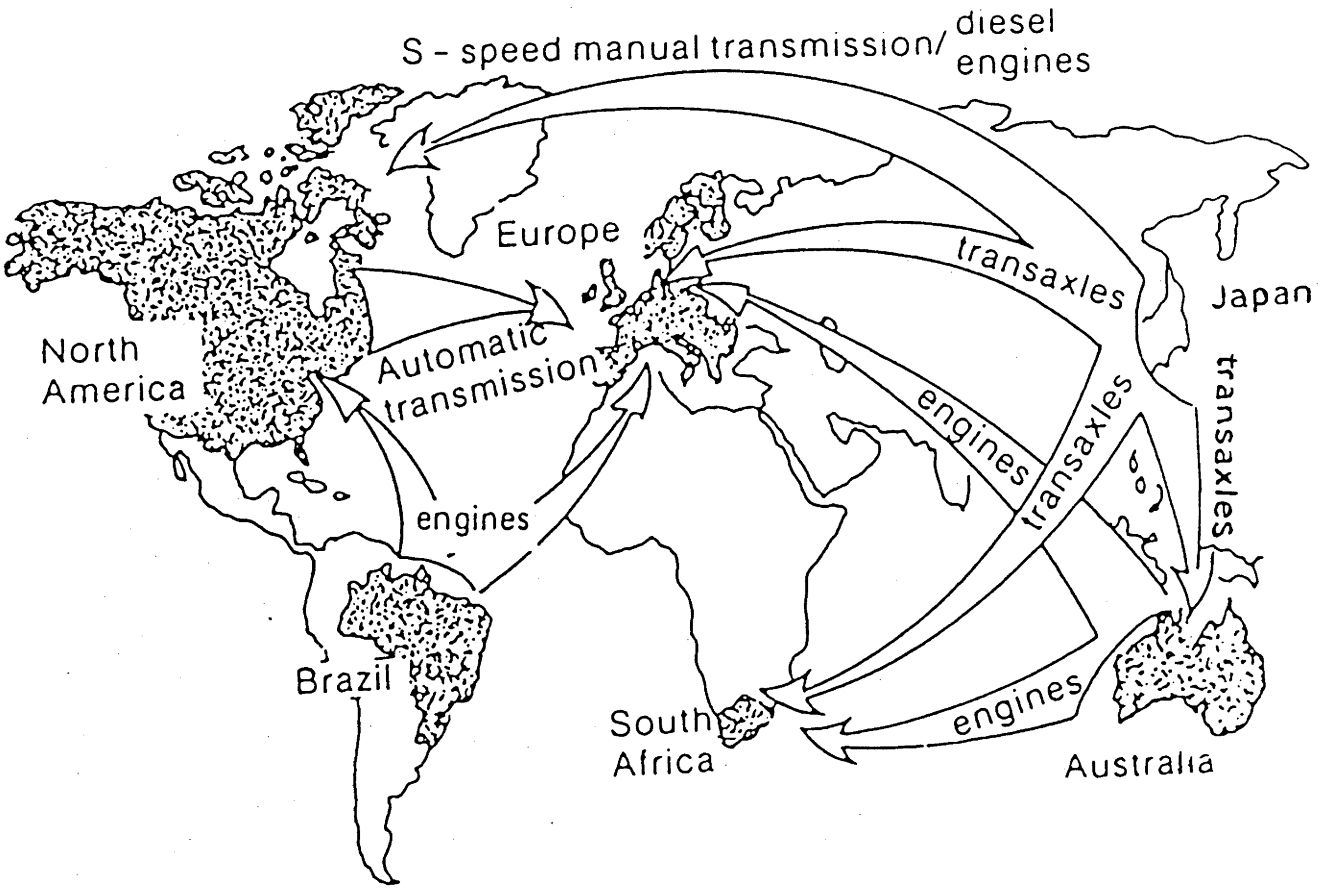
Diagram A BARGAINING POWER, STRATEGIC IMPORTANCE AND INTERVENTION



Source: T.A Pointer, Multinational Enterprises And Government Intervention, Croom Helm, London, 1985, p.52

Diagram B

GENERAL MOTORS: WORLD CAR PRODUCTION STRATEGY

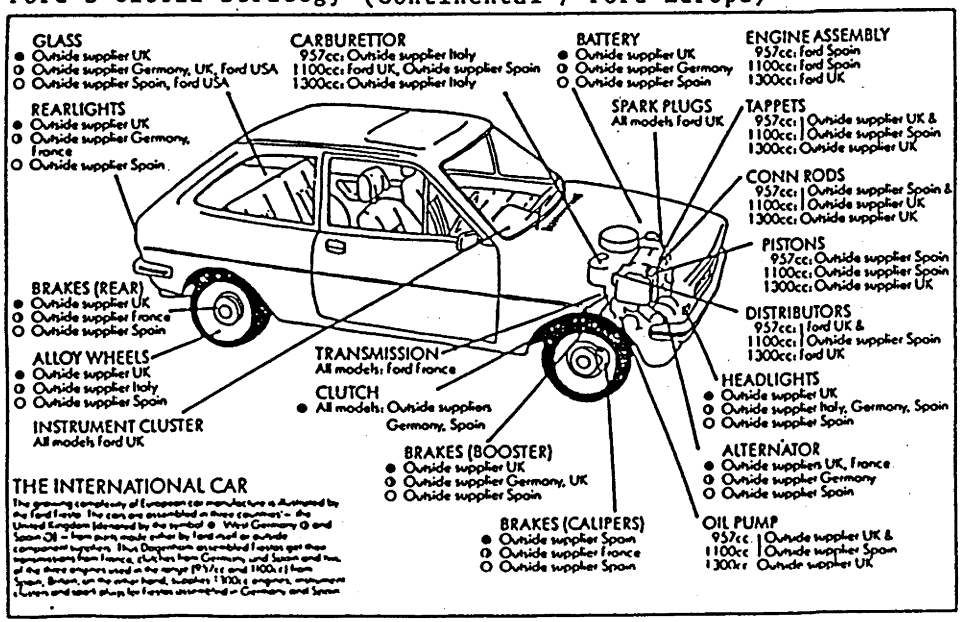


Source: Stuart Sinclair, The World Car: The Future of the Automobile Industry, Facts On File Publications, New York, 1983, p.73

Diagram C

FORD MOTOR COMPANY: INTERNATIONAL VEHICLE PRODUCTION STRATEGY

Ford's Global Strategy (Continental / Ford Europe)



Source: Huw Beynon, Working For Ford, Penguin, London, 2nd edn. 1984, p.333

Sources of the Components of the Ford Motor Company's European Escort

Country	Components
Austria	Radiator and Heater Hoses, Tires
Belgium	Hood-in Trim, Seat Pads, Tires, Brakes, Tubes
Canada	Glass, Radios
Denmark	Fan Belts
France	Seat Pads, Sealers, Tiers, Underbody Coating, Weatherstrips, Seat Frames, Heaters, Brakes, Master Cylinders, Ventilation Units, Hardware, Steering Shaft and Joints. Front Seat Cushions, Suspension Bushes, Hose Clamps, Alternators, Clutch Release Bearings
Italy	Defroster Nozzles and Grills, Glass, Hardware Lamps
Japan	W S Washer Pumps, Cone and Roller Bearings, Alternators, Starters
Netherlands	Paints, Tires, Hardware
Norway	Tires, Muffler Flanges
Spain	Radiator and Heater Hoses, Air Cleaners, Wiring Harness, Batteries, Fork Clutch Releases, Mirrors
Sweden	Hardware, Exhaust Down Pipes, Pressings, Hose Clamps
Switzerland	Speedometer Gears, Underbody Coatings
United States	Wrench Wheel Nuts, Glass, EGR Valves
England, Germany	Muffler Ass'y, Pipe Ass'y, Fuel Tank Filler
England	Steering Wheel
England, Germany	Tube Ass'y Steering Column, Lock Ass'y, Steering and Ignition
England, France	Heater Ass'y
England, Germany	Heater Blower Ass'y, Heater Control Quadrant Ass'y
England, Italy	Nozzle Windshield Defroster
England, Germany	Cable Ass'y Speedometer
Germany	Cable Ass'y Battery to Starter
England, Germany	Turn Signal Switch Ass'y, Light Wiper Switch Ass'y, Headlamp Ass'y Bilux, Lamp Ass'y Front Turn Signal
England, Italy	Lamp Ass'y Turn Signal Side, Rear Lamp Ass'y (inc. Fog Lamp), Rear Lamp Ass'y
England, Germany	Weatherstrip Door Opening, Main Wire Ass'y Tires, Battery, Windshield Glass, Back Window Glass, Door Window Glass, Constant Velocity Joints
France, Germany	Transmission Cases, Clutch Cases
England, Germany	Rear Wheel Spindles
Germany	Front Wheel Knuckle
England, Germany	Front Disc
England, France, Italy	Cylinder Head
England, Germany	Distributor
United States	Hydraulic Tappet
England, Germany	Rocker Arm
England	Oil Pump
Germany	Pistons
England	Intake Manifold
England, Germany	Clutch
Germany	Cylinder Head Gasket
England, Germany, Sweden	Cyl..der Bolt
North Ireland, Italy	Carburetors
England	Flywheel Ring Gear

Source: U S. Department of Transportation, *The U S Automobile Industry, 1980.* (Washington, DC: U S Department of Transportation, 1980), p. 97

EXHIBIT 5.A

COMMONWEALTH OF AUSTRALIA,
DEPARTMENT OF TRADE AND CUSTOMS,
CANBERRA, A.C.T.

T. & C. 44/3694. 5th October, 1944

Dear Sir,

I have no doubt that you are aware of the desire of the Government to establish the motor vehicle manufacturing industry in Australia including the manufacture of the chassis and the engine.

Following consideration by a special Sub-Committee of Ministers of various major aspects of the matter including a re-examination of measures proposed by the previous Government to achieve a similar objective, Full Cabinet recently approved of recommendations of the special Sub-Committee in the following terms—

1. The Motor Vehicle Agreement be repealed.
2. The Motor Engine Bounty Act be repealed.
3. All interested parties be invited to submit proposals for the consideration of the Government.
4. When considering the proposals received, the question of utilising Government factories for the production of component parts on a scale adequate for the maintenance of the factories as efficient units for future defence production should be examined.
5. If satisfactory proposals are not received as a result of the invitation to interested parties, the Government should set up a Corporation to manufacture a complete car.
6. With a view to decentralisation financial assistance be given to enable freight equalisation to be effected.

The purpose of this letter is to inform you (as one who has previously shown interest in this matter) of the objectives and most recent decision of the Government, and to ascertain whether you are interested in the matter of submitting manufacturing proposals to the Government for consideration. In the latter event, I am directed to invite you to submit proposals to me in such detail as you find it possible or convenient. All information will be treated as strictly confidential and will be submitted to the Cabinet by my Minister.

I should welcome an early acknowledgement of this letter together with an indication of whether you contemplate the submission of proposals at a later date.

Yours faithfully,
(Signed) J. J. KENNEDY,
Comptroller-General.

EXHIBIT 5.B

GENERAL MOTORS-HOLDEN'S LIMITED
MELBOURNE
OFFICE OF THE MANAGING DIRECTOR
5th January, 1945

The Chairman,
Secondary Industries Commission,
Ministry of Post-War Reconstruction,
Degraves Street,
Melbourne, Victoria.

Dear Sir:

The Comptroller-General, Department of Trade & Customs, in his letter of October 5th, invited the Company to submit a proposal for the manufacture in Australia of motor vehicles, including chasses and engines which was followed by his letter of October 28th, advising that all proposals were to be submitted to you. On December 1st, we sent you a brief communication advising of our interest in the matters dealt with in these letters. We should like now to lay before you an outline of our proposed plan, together with a summary of the conditions which we regard as necessary to its successful accomplishment.

It is our interpretation of the situation, drawn from public statements by the Prime Minister and Government officials, that it is the intention and desire of the Government to encourage the establishment and development of the motor car manufacturing industry in Australia on the broad basis of free enterprise and private initiative; and that it is not the intention of the Government itself to engage in this industry.

It is our understanding from the letter of October 5th that existing discriminatory legislation, particularly the Motor Vehicle Agreement Act and the Motor Engine Bounty Act will be repealed. We understand further from a recent statement by the Minister of the Treasury that the origin of capital and the nationality of ownership of enterprises engaging in such manufacturing activity are not regarded as a basis for discrimination in any form.

The proposal contained herein is based on the foregoing broad premises.

We now have pleasure in submitting our proposal whereby General Motors-Holden's is prepared to proceed immediately to undertake the manufacture of motor vehicles in Australia, including chasses and engines, subject to certain provisions and conditions contained in this letter.

1. *Type of Vehicle to be Manufactured*
We would undertake to manufacture in Australia a five seater sedan car and related utility which would be specially designed for the economic and operating conditions of Australia.
Such design is not predicated on any type previously in production in any country but will be of a specification to expressly cater for the Australian requirements.
Whereas there have been available to Australian buyers in the past only chasses designed to meet the economic and operating conditions applying to such countries as Canada, England and the United States, by specially designing a car for Australia as we propose to do, the product will better fill the needs of the country.

2. *Price Objective*
General Motors-Holden's Ltd. recognizes the importance to the Australian economy of dependable transportation and that the wider use of automotive units will depend not only on quality and low operating cost but likewise on low initial purchase price. In fact the achievement of the volume required for the development of a successful manufacturing undertaking by General Motors-Holden's Ltd. will depend on these same factors.
The objective of General Motors-Holden's Ltd. is to manufacture Australian motor vehicles in the low price group to sell competitively with imported vehicles without subsidy and without increase in the customs tariff rate prevailing in 1939.

3. *Manufacturing Rights, Licenses, Services, etc. from General Motors Corporation*
Arrangements have been made which will enable General Motors-Holden's to procure from General Motors Corporation manufacturing rights, including processes, drawings, specifications, and other technical data. The services of General Motors Corporation engineers in specialized branches will be made available to General Motors-Holden's and General Motors-Holden's Ltd. engineers will have access to General Motors Corporation factories in the United States, Canada and England to observe and familiarize themselves first hand with manufacturing methods and processes. Such assistance and advice from General Motors Corporation will be continued to assure General Motors-Holden's of a constant flow of technical information on the latest developments of automotive design, manufacture and research.

4. *Utilization of Australian Industrial Facilities*
The production of low cost automotive units is dependent not only on the efficiency of the automobile manufacturer but also on the availability of dependable low cost sources of supply for raw materials and finished components. General Motors-Holden's will make all possible utilization of existing production facilities in Australia for the purchase of its requirements, not only as regards raw materials provided by basic industry but also accessories, finished components and sub-assemblies from secondary industry.
General Motors-Holden's does not propose to duplicate existing Australian manufacturing facilities which can provide such needed items in satisfactory volume, of suitable quality, and at a cost sufficiently low to assure that low cost for the complete vehicle will be attained.

5. *Timing of the Undertaking*
Under favorable conditions, it will require approximately two years from the decision and agreement to proceed, until Australian-made motor cars are in production. In thus indicating a two-year development span it is assumed that the Government will give the undertaking the fullest possible support at all stages.
It will take considerable time to design and prove experimental models, complete the production engineering and planning, design and make tools and dies, procure and install machinery and equipment. During this period a large investment will be accumulating, which cannot be operated on an earning basis until the start of production.

6. *Decentralization*

General Motors-Holden's will be faced with an important consideration pertaining to its extensive body and sheet metal fabricating plant located at Woodville, South Australia. It is believed, however, that this location meets the Government's objective of decentralization of industry. General Motors-Holden's favors the continuation of this phase of manufacture in South Australia since it provides added efficiency by concentrating similar operations at one location with experienced skilled labor available. The same advantage of concentrated operation and the resultant efficiencies of mass production are planned by manufacturing and assembly operations on the engine, transmission and other mechanical parts at the Melbourne plant.

By initially dividing the manufacturing as between South Australia and Victoria, a fair division of activity will be achieved, slightly favoring South Australia. It is worthy of mention that with sheet metal work for a complete car being carried out at the Woodville factory, a considerable amount of new industry will be introduced into that factory since a large proportion of the chassis is sheet metal work.

Many items of supply and manufacture will be procured at various locations within the Commonwealth and since these items, representing a considerable proportion of the car will be purchased from such manufacturers, this will aid considerably in distributing the work and bring about decentralization.

7. *Investment*

Additional to the already large investment, it is estimated that the undertaking will require an additional investment by General Motors-Holden's of approximately A£2,500,000.

Since the proposal is submitted in response to the Government's request to undertake complete motor vehicle manufacture and because of the dimensions of the undertaking, assurance from the Government is required on the following points:

a. This proposal by General Motors-Holden's shall be accepted by the Government as fully qualifying under its program for Australian motor car manufacture, and it is not the intention of the Government itself to engage in this industry.

b. General Motors-Holden's does not request that any special advantages be extended to them. On the other hand they do request that any or all advantages extended to others shall be equally applicable to them.

c. It is believed by General Motors-Holden's that an efficient automotive industry, providing low cost, satisfactory quality transportation to the Australian public can best be established under free competitive conditions.

Accordingly, General Motors-Holden's will not be restricted from the manufacture of any type of passenger car, truck, bus or any other type of automotive unit, as General Motors-Holden's may desire to undertake from time to time, and under the same conditions as may be accorded to other manufacturers.

This recognizes that any other concern will be equally free to enter into manufacture of any type under the same conditions as are accorded by the Government to General Motors-Holden's.

d Our calculations supporting our entering this field of manufacture are predicated on the pre-war rates of duties, primage and tariff applicable to the importation of motor vehicles without any additional tariff protection, without increase in customs tariff rates and without subsidy. It is therefore asked that the Government will give fair notice and warning of any changes contemplated under any heading of the tariff as applicable to the automotive industry and wherever practical will give General Motors-Holden's an opportunity of conferring with the Tariff Board and Government officers reviewing such matters.

e Certain accessories and components will not be available from Australian industry at satisfactory low cost, quality or in adequate volume to complete the Australian manufactured vehicle. Preliminary estimates indicate that such items will not exceed 5% by weight of the complete vehicle and that the landed cost of such items will not exceed 10% in value of the list price of the complete vehicle. For such items the Government will give favorable consideration to the importation free of duty and primage and make available the necessary exchange.

Likewise a condition may arise where volume and quality of certain components and accessories from Australian sources do not meet production requirements. In such cases, in the interest of the advancement of the program, the Government will give favorable consideration to temporary importation on a favorable basis. Legislation already exists, and is frequently employed, to accommodate this request within the tariff sub-section 404A.

f. General Motors-Holden's proposes to obtain, as far as practicable, its requirements by purchase or lease of Government owned equipment which may be made available. Accordingly, it is requested that the Government will:

1. Extend to General Motors-Holden's first refusal to purchase or lease all items of Government owned equipment at present in use or installed in any of the General Motors-Holden's plants.

2. Offer for sale or lease all Government owned applicable material and equipment, machine tools and production supplies declared by the Government as available for disposal, to General Motors-Holden's on as favorable a basis of prices, terms and conditions as to any other interested purchaser; and that advice of availability for disposal will be given to General Motors-Holden's concurrently with advice to any others.

3. Where suitable machinery, equipment, tools, etc. cannot be obtained locally either from the Government or local manufacturers that the Government will give favorable consideration to importation of such items free of duty, primage and sales tax, and make the necessary exchange available.

g. The freight and charges in moving Australian raw materials, assemblies and sub-assemblies purchased from outside suppliers and similar charges on outbound finished and semi-finished product to the points of consumption, place the Australian manufactured product at a disadvantage as compared with the imported product which may be landed at any of the principal ports of Australia at the same ocean freight rate.

It is requested that the Government will make available promptly, its policies and plans relating to freight equalization in view of the important effect of these policies and plans upon the General Motors-Holden's undertaking.

h. General Motors-Holden's will continue its pre-war type of business of importing chassis on the same relative basis as any other importers. General Motors-Holden's by reason of undertaking the manufacture of an Australian motor vehicle will not be restricted in participating in the market for imported units under free competitive conditions.

i. The planning and engineering of this undertaking will require:

1. Travel of Australian personnel to the United States, Canada and England and travel of American, Canadian and English personnel to Australia.

2. Transport for experimental and developmental material, sample components, and the like between the United States, Canada, England and Australia.

3. Manpower for allocation to General Motors-Holden's and to their suppliers. It is expected that the approval of this proposal will carry with it suitable Government priorities, allocations, and foreign exchange necessary for these purposes.

j. General Motors-Holden's Ltd. plan to finance part of the cost of the proposed manufacturing undertaking by reinvestment of profits.
Under present tax laws, profits remaining and undistributed to shareholders, after payment of Income Tax, Super Tax and Wartime Company Tax, are subject to an Undistributed Profits Tax of 10%.
General Motors-Holden's Ltd. submits that the operation of this tax is an unwarranted penalty where the reason behind such non-distribution is the furthering of an industrial project which has been initiated by the Government and requests that the Government give favorable consideration to its repeal, where such funds are reinvested and employed in the business.

We are appreciative of and honored by expressions received from Government Authorities commending General Motors-Holden's for the contribution made to the Australian war effort. Believing in the industrial future of Australia, we desire to continue and expand our participation in Australia's industrial development. We hope that our proposal presented herewith will receive the Government's favorable consideration. We shall be happy to furnish any further information which may be required.

Yours very truly,
(Signed) L. J. HARTNETT
Managing Director.

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