Copyright of Full Text rests with the original copyright owner and, except as permitted under the Copyright Act 1968, copying this copyright material is prohibited without the permission of the owner or its exclusive licensee or agent or by way of a licence from Copyright Agency Limited. For information about such licences contact Copyright Agency Limited on (02) 93947600 (ph) or (02) 93947601 (fax)

MULTINATIONAL COMPANIES AND THE BALANCE ON CURRENT ACCOUNT

Evan Jones

The single indicator which has come to represent the 'health' of the Australian economy is the balance on current account. From 1986 onwards (when the balance blew out), the current account was a favoured news item, with regular reports of the latest statistics and confident assertions of the deficit's origins. The deficit's newsworthiness declined during 1990. The deficit, peaking at $22bn in 1989-90, went off the boil but no adequate explanation was forthcoming. The columnists claimed that the problem was on its way to being solved. Yawning deficits have recently put the current account back on the agenda again.

Table 1: Balance of Payments - Current Account

Selected years ($billions)

	1980-81	1983-84	1985-86	1987-88	1989-90	1990-91	1991-92
Merchandise Trade	-0.5	0.2	-3.5	0.2	-2.4	2.9	3.9
Services Trade	-2.1	-2.8	-3.9	-2.4	-4.4	-3.0	-2.3
Income Payable	-2.8	-4.9	-7.9	-10.5	-17.1	-18.0	-15.9
Unrequited Transfers	0.1	0.7	1.7	2.3	2.4	2.5	2.3
Balance ($b)	-5.5	-7.4	-14.6	-11.2	-22.3	-15.6	-11.9

Source: ABS:5302;5303

Table 1 highlights the four components of the current account and their contribution to the deficit. The 'services trade' and 'income payable' components have always been in deficit. Within *services*, most of Australia's trade is shipped by overseas-owned companies. The deficit in commercial services has also grown. The *income payable* component makes the largest contribution to the current account deficit. For the bulk of the post-world war II period, *merchandise* trade has offset to some extent deficits in services and income payable (ABS, Cat.5303, Part D). However, the services deficit expanded in the mid-1970s and the income payable component likewise in the early 1980s. The merchandise component has fluctuated unpredictably.

An examination of the structure of merchandise trade (Table 2) highlights the immediate origins of the shifting balance on merchandise trade.

Table 2: Commodity Composition of Trade

Balance on Trade in Major Commodity Groups ($billions)

	1980-81	1986-87	1988-89	1990-91
Food	+5.4	+6.4	+6.6	+7.5
Crude Materials	+5.0	+8.8	+12.4	+11.6
Fuels	-0.2	+5.6	+4.4	+7.5
Chemicals	-1.2	-2.8	-3.9	-3.7
Manufactures	-3.1	-6.7	-7.5	-6.6
Machinery & Transport Equipment	-6.0	-12.8	-17.9	-17.1
Balance of Merchandise Trade	+0.2	-1.2	-3.5	+3.5

Source: ABS, Cat. 5410[1]

There have been substantial export increases in some 'traditional' commodities (wool, iron ore, coal), but they have been matched by increased deficits in the value-added categories of chemicals, manufactures, and machinery and transport equipment. The raging

1. The commodity classification in ABS Cat.5410 differs from that in ABS Cat.5302, leading to a slightly different figure for the balance of merchandise trade.

deficit in machinery and transport equipment has yet to receive adequate attention. As the commentators have noted, there have been increases in exports of manufactures. What has not been realised is that the bulk of these promising developments are the result of various government policy initiatives - sectoral plans in steel, autos, and ship-building; partnerships schemes in information technology; and so on. In addition, the favourable balance of merchandise trade in 1990-91 (latest year available) was buoyed by $3bn in exports of gold, also assisted by tax subsidies.

There have been some promising developments in merchandise and services exports since 1990-91. However, the character of the public debate remains constrained by two persistent elements.

First, the debate is constrained within a predominantly *macroeconomic* focus (c/f Jones, 1992b). For some time, commentators referred only to the aggregate deficit, declining to investigate the composition of the current account (c/f Jones, 1989). Blame for the current account deficit has been similarly attributed at the macroeconomic level - as a problem of excess demand. 'Australians have been living beyond their means', and need to pull in their belts.

The policy instruments to overhaul the deficit have also been conceived mostly at the macroeconomic level. The 'twin deficits' thesis saw the current account deficit as the fault of government macro-deficits, generating pressure for budget surpluses. The draconian interest rate hike in 1989 was undertaken and defended as a means of reducing the current account deficit. Of course, there are repeated references to the need for increased productivity on the part of Australian business to enhance potential exports. Yet this is typically discussed cavalierly as achievable purely through the elimination of 'market imperfections' (so-called microeconomic reform).

The second persistent element of the debate has been a 'cargo cult' mentality. In spite of the commentators' evident contempt for the capacities of much of Australian industry, there is a pervasive impression given by their writings that a new age is just around the corner. The substantial imports of capital equipment are presumed, without evidence, to be a short-term cost of industry restructuring and

not the beginnings of a greater structural imports dependency. In addition, the observed recent increase in exports of manufactures has been taken, without evidence, as an indication of more to come, and to herald the beginning of a new age for exporters (c/f Stutchbury, 1991). Recent analysis of manufactured exports by the Metal Trades Industry Association highlights that unqualified optimism is unwarranted (MTIA: 1992). Yet this attempt by the MTIA to introduced caution into the public debate has gone unpublicised and apparently unheeded.

The cargo cult mentality has been a feature of the beliefs of individuals with a 'free-market' philosophical orientation. This sits awkwardly with their reputation for being hard-nosed realists on the nature of economic competition. Integral to this mentality is an apparent belief in the ability of the mining sector (and belatedly finance and tourism) to pay the bills forever. John Stone, sometime Secretary of the federal Treasury and now employed by a think tank financed by the mining sector, is representative of this view. This mentality was prevalent in the mid 1960s when the Treasury lobbied successfully to derail the Vernon Report (Whitwell, 1986:Chs.6,7). The Report made mild recommendations for institutions to be put in place to deal more assertively with Australia's economic problems. This long-standing do-nothing mentality amongst free-market economists has thus contributed directly to the post-1960s decline in competitiveness for which blame is always attributed to others, and to a continued dependence (by default) on protective tariffs which such economists despise.

Ignorance and wishful thinking have thus been major elements in the public debate on the current account deficit. The conventional parameters which delimit respectable opinion have proved unsatisfactory. What is surprising (if one takes seriously the rules of rational discourse) is that these parameters have not been breached. The current account remains inadequately analysed at the *structural* level. It also remains inadequately analysed at the *institutional* level.

The Current Account and Multinational Corporations

Trade and private sector capital flows are predominantly in the hands of large corporate institutions. These institutions have been ignored in

media interpretations of the current account. Corporations are flesh-and-blood institutions which are not merely driven purely by the imperatives of their particular products and processes. They possess variable cultures, partly linked to their country of origin. As political animals they respond to and mould their political environment. It seems an eminently sensible channel of inquiry to examine the relationship between these corporate traders and the balance on current account.

What are some of the empirical dimensions? The bulk of trans-national trade is not conducted on an impersonal basis. To quote an UNCTAD document:

> In view of the fact that possibly 30-40 per cent of all international trade is on an intra-firm or related-party basis, that another 30 per cent is likely to constitute State trading, that a further share of international trade is captive in nature as a result of sub-contracting or long-term and medium-term contractual arrangements, and in the light of the vast array of other formal and informal links between the major trading agents, it is apparent that the concept of a freely competitive international trading market is illusory. (UNCTAD, 1981:vi).

This perspective was taken up and elaborated in the ACTU submission to the Uhrig Review of the (then) Industries Assistance Commission (Australia, 1983). The submission highlighted that the conventional view of trade held by the influential IAC was a dangerous base for deliberations on trade policy. The submission aimed for a transformed analytical perspective in Canberra, and recommended institutional amendments to give it effect. The ideas and the recommendations fell on deaf ears.[2] Ten years later, the costs of ignoring those lessons have escalated.

The only recognition of such perspective came in a one-off statistical survey by the Australian Bureau of Statistics in the mid-1980s. The

2. The ACTU itself paid little attention to the submission, as it was the product of a small group of individuals writing under the aegis of the Australia Metal-Workers' Union. This neglect was symptomatic of the broader neglect by the ACTU of the industry policy component

survey showed that a significant percentage of Australian trade is accounted for by the largest enterprises[3], and by multinational companies (MNCs) which are overseas-based. In brief, in 1984-85. the largest 200 *importing* enterprises accounted for 48% of total imports; the foreign-controlled contribution was 37%. In 1985-86, the largest 100 *exporting* enterprises accounted for 61% of total exports; the foreign contribution was 23%. Foreign-controlled importing enterprises accounted for 53% of the value of total imports. Foreign controlled/naturalised enterprises accounted for 44% of the value of total exports (ABS, 5341.0; 5348.0).

It might sound strange to be concerned with the contribution of MNCs to the current account. MNCs are some of the largest exporters from Australian shores - CRA, Alcoa, MIM, Shell, BP, ESSO, Mitsubishi, etc. These companies are the mediators of Australia's 'traditional' exports, symbols of the lucky country in the abundance of natural resources. However, this digging and pumping, regardless of its efficiency (and given other social priorities restrictive of unconstrained resource extraction), no longer pays the bills. What are MNCs doing for the trade balance in other arenas? Will the mining MNCS move readily into materials processing just because the Garnaut Report (*Australia and the Northeast Asian Ascendancy*) and the Australian Manufacturing Report (*The Global Challenge*) think they should?

Some non-mining MNCs are to be found high in the exporters' table (Australian Business Monthly, 1992) - Ford, IBM, GMH, ICI, Kodak, and Nestles. However, the export tables are misleading given that there is no mention of related imports. Net exports would be a more appropriate indicator of exporting success. The Car Plan and the Partnerships Scheme attempt the enhancement of exports explicitly by legitimising imports. For example, IBM Australia has enhanced its exports - reaching $317m in calendar year 1991, up from $254m in 1990. As a member of the Partnerships for Development scheme, exports are prima facie indication of substantial imports. IBM has produced export-oriented motherboards in its Wangaratta plant, but

3. These companies are probably trading enterprises, typically subsidiaries of multinational companies.

using imported components to a significant degree. IBM also pays royalties to its parent company for intellectual property, and builds up income payable to its parent. If one is concerned with a company's effect on the current account, one must have concern for the total picture.[4]

A wide range of corporate activities directly affect the current account. The media can often report such activities simultaneously with its reporting of movements in the current account, yet without drawing any links between the two processes. It is first necessary to be aware of their character. Some examples follow, involving the runaway plant; the appropriation of indigenous technology; intra-corporate trade and transfer pricing; local content rules; and the offsets and partnerships schemes.

Some Dimensions of MNC Influence on the Current Account

The Runaway Plant

The runaway plant is a subsidiary operation that closes down at short notice. It is relevant to the trade balance because it involves local production being replaced by imports.

The economic boom of the 1950s and 1960s was a relatively benign period in Australia, one which induced overly optimistic expectations of plant stability. It was a period buoyed internationally by general growth and enhanced material affluence. Domestically, import quotas and protection reinforced a golden age centred on consumer durable consumption. This stability was gone by the mid-1970s. Some domestic firms developed a runaway plant strategy, especially in the textiles/clothing/ footwear arena, moving to Asia for significantly cheaper labour. The Australian-based MNC Pacific Dunlop has been

4. This issue is discussed at greater length in Jones (1992a).

active in this process, and has recently rationalised its domestic food processing plants in this manner.

The most unsatisfactory kind of 'runaway plant' is local closure dictated by an overseas head office, motivated less by Australian conditions than by global concerns of the parent company's operations. It is pertinent that such decisions cannot be assumed to be automatically 'rational' in terms of profit-orientation. Both ignorance, mistakes made in non-Australian plants, and a corporate culture attached to centralised authority for its own sake may combine to make Australian-based subsidiaries vulnerable for locally non-rational reasons.

Head office concerns were the case in the deliberations to close down the Kodak processing plant, the Ford New Holland farm machinery manufacturing plant, Sunbeam's toaster manufacturing plant, Black & Decker's manufacturing plant, Duracell's battery manufacturing plant, and Hewlett Packard's major software program. Kodak only agreed to stay with a firm-specific subsidy from Canberra. The Ford New Holland plant in Cranbourne, Victoria, was the most up-to-date machine shop in Victoria, and represented the last gasp in Australia's once thriving agricultural equipment industry. Ford New Holland's head office was particularly hard-line about the closure, resisting bids for purchase of the plant to ensure its continuation. It took ministerial intervention to pressure it to take bids. Negotiations continued with a local consortium, which had in mind an assembly operation of Italian tractors. The Italian partners were genuine, viewing the operations as a beach-head for entry into Asia. FNH refused a bid for $13m for the plant as a going concern; it shipped out the hi-tech CAD/CAM machinery, and had a fire sale of the remaining machinery and of the building for a mere $6.5m. Both State and federal Labor ministers refused to intervene in this process. The loss of the FNH plant and the failure of the attendant political process represents a major scandal in industry policy-making in this country.

Of crucial significance is the degree of autonomy of local management vis a vis head office. Runaway plants expose the subordination of local management to head office. On the other hand, there are recent instances in which local management has managed to prise greater autonomy and has used that freedom effectively. A notable example is

that of Glaxo Australia, which has created a major base for exporting pharmaceutical products at a plant in outer-suburban Melbourne. Equally notable is that the favourable environment was produced by a targeted industry support program ('Factor F'). This program in turn depended upon the federal Government's leverage as a major purchaser of pharmaceutical products. IBM has also enhanced its reputation by moving to put its Wangaratta plant on a more secure basis by expanding into sub-contracting activities (Head, 1992b).

Appropriation of Indigenous Technology

Australia is a peripheral country in the global economy. The conventional wisdom is that we have a good thing going with stuff that grows or gets dug out of the ground. Stay out of hi-tech and leave that to the big boys. It is particularly frustrating when indigenous technology exists but is not developed to its full extent to ensure that the spin-offs are enjoyed locally.

Two cases of different character are pertinent in this regard. First, there is the case of BWN Vortoil. In the 1970s, Vortoil had developed (with the collaboration of ESSO) a commercially-viable process for oil/water separation - an innovation with enormous implications for cost-reduction in the off-shore resources sector. It was a superlative product - a skill-intensive high efficiency machine which had rapidly acquired an international presence. It was a family company, with its proprietor nearing retirement - Vortoil had reached an impasse, characteristic of many Australian companies. At the same time, it was under pressure from British competition and needed finance to make that quantum leap in size to take on world markets. The Foreign Investment Review Board gave permission for a takeover by CONOCO, after a perfunctory examination. No Australian-based sizeable company could be found with an interest in manufacturing the product. This was in late 1989. Now everything has gone. It is pertinent that Vortoil received significant sums under the GIRD scheme (Grants for Industrial Research and Development), of the order of $2mn., a factor that presumably had no bearing in FIRB deliberations.

The second case is that of the material 'partially stabilised zirconia' (PSZ). The CSIRO's Division of Materials Science and Technology has been working in the advanced ceramics field since the late 1960s, and had taken the first significant steps in the creation of a new ceramic material from PSZ that would replace metals in a wide range of applications experiencing friction and wear (CSIRO, 1985). Here is a product with potentially 'exceptional properties'- strong, chemically and thermal stable. One key raw material, zircon mineral sands, is here in abundance (the bulk of world supply). Transformation toughened PSZ presents a classic problem of bringing together the technology-commercial-financial interfaces - a very slow progress in the technical problems (chemical properties, scale), and a slow progress in the take-off of product development.

The CSIRO licensed the process in 1977 to a moderately-sized local firm, Nilson Sintered Products, and the joint partners gradually made further technical gains. Ultimately, NSP lacked both finance and the market presence to sustain a long-term research effort, especially for a product that required ultimately a global market. NSP entered a partnership with CRA in the early 1980s (on a 70/30 basis), forming NILCRA, achieving some finance but the marriage was ultimately mis-matched. Enter ICI, which acquired NILCRA in 1988 (with the blessing of the Victorian industry department), with the necessity to plough in millions of dollars for product development. ICI was in a privileged position to cope with the financial needs, the technological background to deal with a continuing technical problem (the stabilisation of zirconia production from zircon sands), and the marketing requirements of a global market.

Here is a classic example of the dilemmas facing a value-added industrial future. The CSIRO had hoped that Australia could sustain a fully integrated industry. The infrastructure was present to produce an innovative material of global significance, but the infrastructure for some later stages was lacking. The innovation, for lack of alternatives, is handed over to a large MNC with resources to pursue the expensive later stages. What ultimate benefit results to the 'national interest'? The complexities of the issue are not to be found discussed in the glossy bureaucratic literature. The DITAC publication, *Opportunities in*

Advanced Materials (DITAC, 1989?) represents the PSZ story as an unqualified success, an exemplar for a country on its way to bigger and brighter things. Form is here mistaken for substance[5].

Both export potential and import replacement potential for the specific product are reduced if the manufacture of the product/process goes overseas, as was an option with ICI; the potential for transfer pricing exists if related-party international transactions (RPIT) are now introduced within a MNC-controlled process. In addition, the downstream potential of the development is significantly reduced in terms of a multiplier effect for the cohesive and long-term development of personnel, technological and design skills, finance, and manufacturing back-up. It is noteworthy that NSP was part of a loose association of small companies labelled the 'Powder Metallurgy Association' which had hoped to benefit collectively from NSP's work at the research frontier. ICI has talked of the option of removing production activities to the US; to this date, however, they have remained in Australia.

The potential return also depends fundamentally on the conditions which are placed on the take-up of the local invention. In this case, the returns depends on the CSIRO's bargaining power and negotiating acumen. Desirably, CSIRO does have a commercial arm, SIROTECH, to mediate with the commercial world. Licensing contracts can vary dramatically. As the terms are secret, the broader community cannot judge for itself whether the returns are adequate. Key CSIRO personnel believe that the PSZ case has been a success story, looking at a market potential of perhaps $50m in 3-5 years (and beyond that, further potential from other uses of zirconia powder). The essential question for the Australian economy is whether a project can be built to a sufficient size and/or embody a sufficiently unique technology to make it in a MNC's interests to retain the 'creative centre' of the process in

---

5. This is not by accident. The procedures in Canberra for evaluating the effectiveness of specific policies are highly inadequate, and are resistant to improvement. It is anathema to publicly admit weaknesses or failure in any program. There appears to be no adequate mechanism to evaluate and publicise to the appropriate industry audience either successes or failures in programs, so that necessary adjustments can be made.

Australia; indeed, to make it impossible for the project to be readily shipped overseas.

Here, the weaknesses in the regulations and practices of the FIRB are paramount. The FIRB has exhibited no interest in exerting leverage to enhance the potential 'national' return of local projects subject to takeover. The FIRB grew out of the economic nationalism of the 1960s and early 1970s, but it came under the Treasury umbrella and became sclerotic almost immediately. The FIRB is not structured to deal with the terms of takeover. It is not equipped technically to deal with the terms of royalty/licensing agreements, nor does it appear to have been interested in such minutiae.

Political pressure and aggression by MNCs regarding their interests is known to exist, but it is poorly documented for a variety of excellent reasons. Contemporaneously with the PSZ developments, ICI was negotiating with several State Governments over the location of a customer design centre (carrying hi-tech potential). State Governments are perennially in a weak position when competing for private sector industrial and commercial developments and the accompanying employment and prestige. Victoria came up with a grant for the privilege of having ICI locate this institution within its borders. Simultaneously, Western Australia subsidised a zirconia processing plant in its state. Process integration has suffered, given the distances involved, not to mention the public purse.

In addition, the Victorian industry department (then Industry, Technology and Resources) had devoted considerable public sector funds and personnel resources to putting together a package that would assist in the application of PSZ to the biomechanical field (joint replacement, etc), and further generate a domestic multiplier effect. DITR brought together the CSIRO scientists and a distinguished surgeon representing potential users. The research project aimed to do the demanding preliminary tests of material compatibility with the human body, to satisfy world quality standards, before the design and manufacturing stages could be pursued. ICI ultimately acquired monopoly access to the intellectual property of this project by promising expenditure of $200,000 on developments. The expenditure did not come to pass, and the project remains pending.

These episodes highlight the structural bargaining power used by MNCs in dealings with local firms and public servants. In general, they do not offer confidence that the rents appropriated by local industry and domestic governments will be satisfactory without powerful regulatory structures facilitating adequate contractual arrangements. There is also a marked absence of an investigative reporting tradition which would bring useful pressure to bear for such arrangements.

Intra-corporate Trade and Capital Flows

The 'space' of a national economy and a globally-oriented corporation are not contiguous. A national economy and its national accounts are in some respects an arbitrary construction (c/f Bryan, 1989). What may count in national accounts as international trade may be internal to a MNC's operations; likewise, the 'price' attached to intra-corporate processes is subject to managerial discretion.

The idea of 'transfer pricing' has long been treated with derision in Australia. The political economists Ted Wheelwright and Greg Crough had for years highlighted the significance of transfer pricing, with mostly disdain to show for their efforts. Recently, however, the Australian Taxation Office has taken the concept to its bosom - in technical parlance, 'related-party international transactions' (RPITs).

The pricing mechanism as an impersonal information network underpins the ideological defense of capitalism. It is presumed to ensure both efficiency and equity by inhibiting the accumulation of private power. However, the history of corporate behaviour has been in large part an attempt to 'internalise' market processes as a means of transcending both uncertainty and market subordination. This both facilitates and requires increasing strategic flexibility via cross-subsidisation of different branches of the firm's operations. This process takes on political significance when the intra-corporate transactions cross national boundaries. Governments have a right to be involved in a process that might previously have been of private concern.

As intra-corporate transactions are such a significant percentage of total Australian trade, the potential for transfer pricing is high. The potential

within trade in services is especially significant. There exist more 'pricing' discretion for such intangibles as management services and intellectual property. Research commissioned by the ATO has exposed a relation between RPITs and tax payments:

> In general, as the size of the company increases and the level of related-part transactions increases, the ratio of taxable income to business receipts declines. (Australian Tax Office, 1989)

Evidence on international profit shifting (IPS) in Australia is sparse and fragmented. That's because it doesn't exist, according to consultants Arthur Anderson, giving evidence before the Martin Committee hearings in 1988. The US Government begs to disagree. The Internal Revenue Service is aggressively litigious, producing details for public scrutiny in the process. In Australia, only a handful of legal cases exist to bring transfer pricing to light - Shell in the 1920s, Comalco in the 1970s (High Court prevents transfer pricing judgement on technicality), and Nestle Australia in the 1980s (Tax Office claim of $20m brought to light in procedural matter before Federal Court). Transfer pricing in the Australian oil industry became an important political issue in the 1950s/60s (notably discovered from US sources), and was taken up by the coal industry because of perceived threats to its profitability (Fitzpatrick & Wheelwright, 1965:Ch.13).

The Tax Office has until recently put IPS into the too-hard basket, with IPS cases often appearing as a product of other investigations. An intensification of activity occurred with an Australian Audit Office audit between 1985-1987 specifically into ATO investigations of IPS. During this period, the ATO had evolved a 'large corporate audit' program. Of 400 companies audited between 1985-1987, the ATO obtained 13 cases of taxable income adjustments (under Section 136, Division 13), involving $350m in taxable income (Parliament of the Commonwealth of Australia, 1988). The numbers of companies are small, but the sums involved are not small. The cases show clearly the use of IPS amongst MNCs operating out of Australia.

One other area of possible interest regarding IPS is the group of Japanese trading companies. The Japanese trading companies are of increasing significance in the Australian economy, yet they have kept a

very low profile. The 1990 annual edition of *Australian Business*' Top 500 Companies (Australian Business, 1990) finally considered them worthy of attention. Nine such companies are within the top 200 Australian-based companies in terms of turnover, and their ranking has steadily advanced. These companies are subsidiaries of larger conglomerates. They are (1991 ranking by turnover): Mitsui (16); Mitsubishi Aust (22); C Itoh (43); Marubeni (49); Sumitomo (64); Nissho Iwai (77); Tomen, previously Toyomenka (109); Kanematsu (141); and Nichimen (184) (Australian Business Monthly, 1991). On the exports table, they figure more prominently, with four of these companies in the top ten and seven in the top thirty (Australian Business Monthly, 1992). It is noteworthy that the gross revenue of these nine trading companies (to March 1991) summed to $17.3bn ($19.6bn. the previous year). Total (two-way) trade in merchandise to March 1991 totalled $100bn, and in shipping and commercial services about $12bn. With trading company revenues made up almost wholly of export and import receipts, these companies are probably responsible for at least one-fifth of the value of Australia's current trade.

Of particular interest is the relation between profits and turnover. The pre-tax margin (pre-tax profit to gross revenue) is both extremely low and remarkably stable. With some exceptions, the pre-tax margin hovers persistently around 0.1 to 0.3%! Sumitomo's margin regularly tends to 0.0% on ever expanding sales. Is this the sign of a fiercely competitive industry? The *Australian Business* 'Top 500' correspondent appears to think so:

> Surprisingly, profitability seems to elude the Japanese trading houses also. Their aggregate profits before tax last year were just $30.5mn, which translates into a meagre 1.16 per cent pre-tax profit margin. (1990: 52).

Why are they still in the game and growing in significance? The answer appears to be that the pre-tax margin is a discretionary target return. It is known that commission rates are set in Japan. Admittedly, the trading houses are engaged in an industry in which one would expect low margins, with low commissions on a substantial throughput of trade,

especially of low value-added commodities. Nevertheless, the relative stability of these trivial margins is striking.

The Tax Office initiated an inquiry into trading company pricing some years ago, but gave up upon facing an industry of massive size and detail. The Australian meat industry has been sufficiently concerned about intra-corporate transactions to initiative its own inquiry. The meat industry's concern is that vertically integrated MNCs can gain unfair advantage by the cross-subsidisation of exports from Australia. This is of increasing concern as Japanese companies move into equity involvement in beef processing facilities in Australia. A Tax Office investigation for the years 1982-84 found that wholesale margins were at comparable levels to "arms-length" margins (in OECD parlance, "comparable uncontrolled price"). However, it also found that:

> ...the Australian subsidiaries [the Japanese trading companies] on-sold to their parents at a gross profit margin of about 1%; ...the overseas parents on-sold to the next link in the chain at a margin of around 14% (after paying import duty). (Australian Meat and Livestock Industry Policy Council, 1989)

By the standards of a "resale" test, there is a prima facie case for the practise of international profit shifting by the Japanese trading companies. Imputing motives is dangerous, but tax evasion is unlikely in this case. A key motive would be to maximise the surplus higher up the chain. This presumption is supported by research into the *modus vivendi* of Japanese trading companies (Yoshino & Lifson, 1986). Yoshino and Lipson argue that the trading companies act to "maximise system welfare", and effectively subsidise the value-added parts of the system. This subsidisation may occur even with (Japanese) companies outside the particular corporate entity to which a trading company belongs.[6]

---

6. In effect, the Japanese trading companies have been an extended arm of Japanese mercantilism - exporting raw materials and importing high valued added products. There is some evidence that this procedure is being modified, possibly because of developments within Japan itself. Nissho Iwai Australia is branching into relationships with Australian manufacturing and energy companies to

The ATO has also turned its attention to IPS practices involving MNCs (mostly Australian-based) operating businesses out of 'tax havens'. Research contracted by the ATO indicates that the generation of substantial profits in tax havens is restricted to a small number of companies. Yet that small number exhibits a global network of surprising irregularity (Australian Tax Office, 1989; Parliament of the Commonwealth of Australia, 1989:App.III). Three companies (News Corp., Bond Corp., and Pioneer) distinguished themselves by making more than 100% of total profits in tax havens. All of News Corp's profits were made in breezy tropical climes, whereas massive losses were incurred by the three major incorporations in Australian, the U.K. and the U.S.A. We can presumably look forward to Mr Murdoch closing down his loss-making Anglo ventures in the interests of his balance sheet, and of his host nation's balance of payments.

The quantitative implications for the current account of profit shifting effected through intra-corporate trade are obscure. They deserve greater attention from official sources. The general impact is clearly to enhance the current account deficit. The low margins of trading companies reduce export prices; the elevated payments on imported components and intellectual capital increases import prices; profit shifting to head office or a tax haven increases the net income payable component.

Local Content

Australia has always been an active environment for resource projects. The terms on which overseas capital participates is of crucial concern for the 'national interest'. These are perennially the subject of political negotiation. A well-publicised conflict occurred in the mid-1970s with the publication of the 1974 Fitzgerald Report, *The Contribution of the Mineral Industry To Australian Welfare*. The Report and the mining industry clashed over the adequacy of Australian governments' tax take from that industry.

---

facilitate exports of new value-added products (Roberts, 1992). This new strategy would be likely to exert a positive effect on the current account.

One important dimension of the terms of MNC involvement is the degree of participation of local industry in such projects. This dimension has direct relevance to the trade balance - the greater the participation of local industry, the greater the probability of import replacement. Project managers' decisions on contract allocation impinge directly on the balance of trade. This issue has its most contemporary reflection in the massive gas project on the North West Shelf. Australian industry content was fairly high during the first (North Rankin) stage of the project. The second major stage (Goodwyn) has involved a good deal of conflict between Woodside Petroleum (now under Shell's direction), local firms and their industry bodies, unions, and governments. This significant conflict has received no attention from economic columnists.

Woodside has questioned the reliability and quality of local industry on key components. Local industry has questioned Woodside's goodwill and "level playing field" commitment to local industry. Both the Federal Government and Woodside come in for criticism in a key report by a parliamentary standing committee (House of Representatives, 1989). Indicative of the Report's criticism is the Committee's interest in the project's net impact on the current account. Woodside proved unwilling (and the relevant bureaucratic departments uninterested) in providing their own estimates for such an evaluation.

Woodside (Shell) has certainly provided work to local industry. However, the process has been unduly conflictual, messy and costly. Woodside has enjoyed unprecedented discretion in this contracting process, by contrast with the regulations pertaining to similar projects overseas. Woodside has taken advantage of that power. Woodside rebuffed early overtures from the Industrial Supplies Office network. The ISOs are a cost-effective means of enhancing import replacement merely by providing information on the availability of Australian-made inputs. The Parliamentary Inquiry reiterated the importance of this network, but to no avail.

Ultimately, the Canberra policy establishment (including the key Department of Primary Industry and Energy) is responsible for the loss of any Australian participation that might have been achieved under "full and fair opportunity" tendering provisions. Woodside is also

implicated to the extent that it has lobbied for the maintenance of such conditions in its own interests. Lacking strong direction from Canberra, the West Australian Government has been forced to develop its own procedures. Strengthened legislation to enforce local content (especially on value-added stages) on major projects is currently under consideration. This recent move has been prompted by complaints about local content in BHP Petroleum's Griffin oil and gas development, also on the Northwest Shelf. The 'Big Australian' has also apparently neglected local content considerations in contracting its railway activity maintenance at Whyalla to the US integrated giant, Morris & Knudsen.

Offsets and Partnerships

Nothing better represents Australia's 1970s place in the global economy than the offsets program - in its ambitions, its weaknesses and its long-term demise. The offsets program began in the early 1970s, and was copied from initiatives of the Canadian Government in the mid 1960s. Initially, it was intended to be used for defense purposes only, but extended into the civil arena in the early 1980s.

Government procurement had been used before. The telecommunications division of the Post Office used procurement to good effect during the post-1945 boom. The size and sophistication of capital inputs demand in Australia, in spite of a small population, has clearly been a drawcard for MNCs to compete to sell their wares. However, long-term gains have been disappointing. The 1974 Scott Inquiry into Government Procurement recommended the establishment of a single Government Procurement Agency for all Commonwealth departments, to coordinate procurement (Australia, 1974). The idea was scotched by the Department of Defence, whose links to US suppliers were well entrenched.

The offsets program has had an unhappy history, and it has been the subject of numerous inquiries. Essentially, the program has lacked 'guts' - a tight set of procedural rules and the will to enforce them. The program began on a wish and prayer, holding participants to their "best

endeavours". Reflecting this laxity was the experience with Krauss Maffei, supplier of the Leopard 1 tank, purchased in 1969-70. From that project, Krauss Maffei still has offset obligations outstanding of $300-400m (an insider's estimate). Krauss Maffei sent many teams to Australia in the 1970s, supposedly looking for quality suppliers and fabricators, but made no offers (instead claiming the airfares for these visits as offsets).

Numerous reports later, the guide-lines were "strengthened" yet made more flexible. A quantum leap was made in March 1986, following recommendations from the 1984 Inglis Report, for which high hopes were held. Another significant stage occurred in March 1988 when the Commonwealth and various State programs were formally coordinated. The flexibility (in the civil arena) became reflected in various "sweeteners" introduced into the program - contracts being allowed outside the 'primary' area contract; there was also introduced multiplier incentives for projects involving technological transfer (R&D centres; training). As for toughness, the 1986 procedures to ensure enforcability (penalties, etc) survive in the arena of Defence Procurement. In the civil arena, toughness remained more a matter of form than substance. The weakness was partly linked to DITAC (the responsible federal Department) accepting the Attorney-General's opinion that the contracts would not carry legal enforcability, even though it exists in similar programs overseas. Consequently, The relevant section of the March 1988 *Guide-lines for Participants* ('Enforcement of Offsets Obligations') had been watered down to "...action may be taken to...". There is nothing very tough here, although it is known the Government became stroppy on a discretionary basis. DITAC insisted that the threat of being cut-off from future deals provided sufficient leverage to ensure long-term compliance.

This environment has produced companies with a good reputation (General Electric, IBM) and companies with a bad reputation for compliance with the offsets requirements (Boeing, Rolls Royce, General Dynamics) (Juddery, 1986). In essence, compliance became an optional matter.

There are strongly contrasting views as to whether the offsets program elicited the best in corporate citizenship out of participating MNCs. A

1986 Bureau of Industry Economics report on the aerospace industry credits the Offsets Program with providing considerable support to the industry in the acquisition of technology. One commentator has described it as:

> One of the most potent, though underrated, arrows in the quiver of Australian industry's efforts both to tackle the debilitating balance of payments situation, and to introduce new technologies"; and as "cementing Australia's position, on a per head basis, as probably the world's leading software producer. (Juddery, 1986:60)

Others see it as innately flawed, because of its lack of teeth and defensive character. In its operation, it has been a hall of mirrors, mysterious. Partly, this reflects the inadequate accounting procedures of DITAC's past administration of the program. The key issue of compliance does not appear to have been satisfactorily considered, until pressed by a series of Public Accounts Committee hearings. Evidence presented to the 1989 Public Accounts Committee hearing indicated that (to 1987-88) there were approximately $870m in outstanding offset obligations in the defence arena, and $170m of outstanding obligations in the Commonwealth civil arena (Parliament of the Commonwealth of Australia, Joint Committee of Public Accounts, 1989:Ch.3). Informed bureaucratic opinion considers that this figure, at least for the defence arena, is too low.

How many of these obligations survive is anybody's guess. Time limits were vague, and resources to administer the program were paltry. One program within NSW oriented towards 'advanced skills training' foundered partly because suppliers expressed little interest in such investment. The entire program was also undermined from the continuing pressure from Australian-based US Government officials to abandon the programs as contrary to their notion of a 'level playing field'. This 'unofficial official' pressure in turn conveniently reduces the pressure on US-based MNCs to comply with the guide-lines.

The (civil) offsets program is now dead. It is clear that responsibility for its failures is not centred on any one party. The bureaucracy found its administration difficult; the 'right' Australian firms with whom suppliers

could fulfil obligations may not have been readily available. MNC suppliers are also culpable. Some have been happy to press to the limit the lax administration and difficulties of enforcement; a handful of others have been belligerently non-cooperative.

The adverse experience of the civil offsets program has produced some positive outcomes. Several local companies (especially ASTA and Hawker) have been dragged out of their inward-looking orientation, and are now linked through 'strategic aggrements' with key MNCS in the provision of componentry to the global aerospace industry. In addition, the Partnerships for Development Scheme was introduced for the information technology industry in September 1987, with a view to engaging MNCs in cooperative ventures with local firms that would ensure both technology transfer and export facilitation. The Partnerships Scheme also confronted (albeit in a restricted sphere) the pervasive dilemma of technology importation from MNCs being constrained by export restrictions (Bureau of Industry Economics, 1988:5.3). Such restrictions have reinforced an inward-looking manufacturing culture.

The Partnerships Scheme was a gamble, and one would have to have held fears for its success, in spite of the number of early signatories. The scheme reverted to a 'best endeavour' arrangement, without formal obligations by participating MNCs. A belated audit in late 1991 disclosed some creative accounting and irritation at disclosure amongst some partners. Indicative of a persistent cynicism is the claim by a computer firm with Partner status that locally-generated profits constitute Australian 'content', regardless of actual materials and labour input. The company also claimed to have DITAC approval for this preposterous notion.

In addition, transfer pricing is not merely possible, but reputed to be practiced within the Partnerships Scheme. Obligations given over with one hand are taken back partly with the other. The hi-tech field is an arena prevalent with related-party internal transactions in components and intellectual property for which a 'market price' is a chimera. These are hothouse conditions for transfer pricing. In this case, the Scheme loses if the overseas-based parent 'over-charges' for the transfer of components or technology.

In practice, there appear to have been goodies and baddies amongst participants, with IBM, Airbus and Wang examples of the former, and Hewlett Packard a strong example of the latter (defaulting on its obligations in August 1990). The workability of the scheme depends on the goodwill of the MNCs, in turn heavily dependent on their own perceptions of their corporate interest.

However, recent developments have been promising. Hewlett Packard has returned to the fold, and is developing and exporting sophisticated software (Head, 1991). A large part of the success is due to pragmatic reassessment of possibilities and constraints by DITAC personnel and the Minister's office. One aspect of these new directions is a more assertive bargaining hand from Government spokespersons - if companies don't play the game, then they get shut out of lucrative Government contracts. The law was laid down to Hewlett Packard's head office, and their changed stance has already been rewarded with a substantial contract for the Department of Foreign Affairs and Trade. A second aspect is a heightened flexibility, coupled with extensive consultation, on how particular companies might tailor their activities and fulfil their obligations to mutual benefit. In this way, DITAC has been able to generate a larger number of 'mandates' from head offices for Australian-based expansion. On current reckoning, as the 1991 audit highlighted, both exports and R&D of the Partners are exceeding early expectations. The long-term strategy is to wind up the formal relationships with the expectation that the created industrial networks will survive on their own profit-driven momentum (Head, 1992a).

The Nation State and Multinational Capital

There has been outlined a number of spheres in which multinational corporate activity has been adverse, or potentially adverse, to the current account balance. What's good for 'General Motors' is not only not good for America, but even less so for Australia. Yet there are also new spheres (beyond the 'dig it out and ship it off' mentality) in which MNC activity is positive for the current account.

What does all this mean for the relationship between multinational companies and the nation state? Scholars across the ideological

spectrum have long been preoccupied with this relationship. No convergence of opinion has emerged from this preoccupation, including amongst left-wingers (c/f the collection in Radice, 1975). A major difficulty lies in an adequate conceptualisation of the State, which transcends analysis within a 'logic' of capital.

Several strong generalisations seem appropriate in this context.

• First, the nation state is an independent actor with a dominant motif (territorial integrity, security) driven by a *non-economic* logic.

• Second, nation states and capitals have coalesced symbiotically for mutual benefit in the pursuit of different goals. This phenomenon is embodied in the age and practices of *mercantilism* and, later, of *imperialism*. The phenomenon has not died out; recent manifestations have occurred with US State and Capital in post-1945 Europe, with Japanese State and Capital in post-1960s Asia, and with German State and Capital from west to east in the 1980s.

• Third, there is a hierarchy of States and of Capitals, leading to varying state/capital relationships.

• Fourth, state/capital relationships differ also because of the different structures and cultures of national capitalisms. National economies may be arbitrarily defined, but they are not fictions, and they 'bend' the logic of capital into particular institutional forms. This requires that an appropriate conceptualisation be informed by detailed historical inquiry. Thus, the twentieth century British State, riding on the success of a mercantilist past, adopted a more 'laissez-faire' relationship with internationalised British capitals (c/f Rowthorn, in Radice, ibid.).

• Fifth, there exists leverage in both directions. The innate power of Capital provides fundamental leverage over the nation state. Thus, Ford can travel the world achieving subsidies for the location of its automobile plants. Yet there is also leverage for discretion of nation states. Thus the British State initiated and achieved a powerful leverage over MNC oil companies operating in the North Sea to source inputs from British-based companies.

What about the state/capital relation in Australia? Some examples outlined above provide empirical support for Marxist and left Institutionalist views that global-oriented capital will subordinate the nation state to its needs. The details can be interpreted merely as the concrete manifestation of the imperatives of Capital. Of predictable relevance is the fact that the Australian State and Australian-based capitals are not major players in the hierarchies of States and capitals. One's *a priori* expectations are for a subordinate 'compradour' State apparatus in Australia. A more specific manifestation is that state/capital relationships in Australia in the context of value-added production have centred on an inward-looking rather than an outward-looking focus ('protectionism').

Yet there are two additional components to the story. The first has ambiguous implications for the above generalisation; the second has clearly contrary implications.

We are confronted with a *particular* state formation, the peculiarities of which are substantially dictated by the intangibles of culture. The peculiarities are also fluid - they are observably being reproduced (and fought over). To what extent are these peculiarities which help to reinforce the power of global capital cemented in stone, and to what extent are they malleable? If malleable, then the discretion of the Australian State apparatus is contestable and may conceivably be enhanced.

The current conventional wisdom reflects a libertarian culture, with catch-cries of free trade, small government, deregulation and privatisation. Libertarian ideas have been sold as a universal maxim, whose supposedly timeless lessons have been lost in the rise of 'big government'. However, the ascendancy of libertarian culture occurred historically within *imperial* countries and at the *height* of their success - Britain in the mid-nineteenth century; the USA in the mid-twentieth century (Jones & Stilwell, 1989). Viewed historically, libertarian culture itself is merely another weapon within the armoury of mercantilist/imperialist powers.

Australia thus inherited not merely the practices of the mother country as imperialist power, but also the specifics of British capitalism. This is

a culture that is quite dissonant with Australia's marginal role in the global economy. Australia's exports were a mere 1.10% of world imports in 1987, down from 1.64% in 1972 (IMF, 1988:123). This dissonance is a feature of several 'white settler countries', all ex-British colonies (in particular, Canada and New Zealand). Americans fought two wars to transcend such structured subordination.

Australian economic culture continues to be steeped in a 'colonial cringe'. The character and hierarchy of the federal bureaucracy is crucial. Power in economic policy is centred in the Departments of Treasury and Finance, part of the bureaucratic *structure* inherited from Britain. Within this structure is a *world view* also inherited from the superpowers (Britain, the USA). It is also peculiarly an Anglo-centric world view, disdainful and ignorant of the factors which moved and now sustain the industrial dynamic in countries with alternative cultures. Australia's policy-making is thus ensconced in a cultural cringe which reinforces its peripheral role in the global economy (Jones, 1991a).

Beneath the dominant culture, the policy delivery departments are strictly subordinate. Within this hierarchy, industry support policies have been developed pragmatically in Canberra's industry departments and in the States to offset this debilitating thrust. They are typically pragmatic, half-hearted, poorly funded and lack coherence. State Governments have, by default, taken a key historical role in industrial development in Australia.

The channels of the fluid reproduction of such subordination are also evident. The subordination of the Australian State within *inter-State relations* is embodied in Canberra's continued subservience to US' global politico-economic interests. The Australian (bureaucratic and media) contingent to the Uruguay Round of GATT was happy to attack the special pleading of the Europeans or the Japanese, while acting as if the US was acting out of purely idealistic motives. The US has always used the GATT structure cynically to suit its own purposes (Jones, 1991b). More recently, in September 1992, the Australian public was exposed to a bizarre cringing to the US, with both major parties hoping for an improbable access to the North American Free Trade Agreement. Canberra is also perennially beset by officials of the US Government

harassing public servants over the incompatibility of particular Australian industry programs with international free-trade principles.

The subordination of the Australian State to *the power of capital* is also being continually reproduced. The foreign investment guidelines were weakened in 1986, negating any leverage they might have exerted over MNC activity and the current account (Jones, 1992a). The broader process of subordination is classically embodied in the fight over local content provisions on the North West Shelf project. The Parliamentary Inquiry into the project required as a matter of protocol an Interdepartmental Committee (IDC) reply. The confidential IDC report explicitly articulated a perceived imbalance of power in dealings with Woodside Petroleum and its dominant partner Shell - in effect, if we don't do what they want they might take their ball and go home. Yet the ministerial press release announcing the outcome of the IDC deliberations reported only that the deliberations turned on the importance of free market principles. The IDC Report set the agenda for government policy, which was to do nothing. This fusion of theology and realpolitik exposes the duplicity of the ideological structure and of the local policy ground-rules.

On the other hand, there are forces at work which have acted to inhibit the discretion of global capital. These are embodied in a range of specific industry policies - sectoral plans, procurement leverage, etc., and their effect has been to counter the prevailing adverse impact of MNC discretion on the current account. In short, MNC influence on the current account is contestable. Understanding the parameters of this contest is a preliminary requirement for influencing its terms.

Conclusion

An examination of state/capital interaction at a concrete level highlights the specific character of the constraints on the action of the Australian State and on the means of their reproduction. Objective power based on the power of capital is reinforced by ignorance and distortive propaganda. The question is, to what extent are these procedures set in stone and to what extent are they flexible? The details indicate that the

possibility for flexibility exists; they also indicate the arenas which must be addressed to ensure flexibility. These are the arenas in which political action ought to be feasible as a prelude to strategic industry policy by an activist State.

The subordination of industry and trade policies is embodied in Australian bureaucratic and ministerial priorities. The logic of capital survives in the deeply entrenched neo-colonial politics of the key economic institutions in this country. An industry policy which is fragmented, pragmatic and invariably halting in its successes is a natural product of this institutional ethos. On the other hand, there are counter forces at work. Nationalism lacks a defensible supportive philosophy, but it is embodied in real contemporary forces and it is effective in imparting a limited degree of coherence to the institutional structures of industry policy. In this conflict, a key element of such forces is the libertarian conventional wisdom of economists and its bureaucratic representation in Canberra.

References

Australia (1974), [Scott] Committee of Inquiry into Government Procurement Policy, *Report* (Canberra: AGPS), May

Australia (1983), [Uhrig] *Review of the Industries Assistance Commission*, Volume 3, Submissions to the Review, Part II (Canberra: AGPS), October

Australian Bureau of Statistics (1987), *Foreign Control of Imports into Australia 1984-85*, Cat.5341.0

Australian Bureau of Statistics (1989), *Foreign Control of Exports From Australia 1985-86*, Cat.5348.0

Australian Bureau of Statistics (1991), *Balance of Payments Australia*, Cat.5303.0

Australian Bureau of Statistics (1992), *Balance of Payments Australia*, Cat.5302.0, June Quarter

Australian Business (1990), "Top 500", *Australian Business*, December 5

Australian Business Monthly (1991), "Top 500", *Australian Business Monthly*, December

Australian Business monthly (1992), "Top 500 Exporters", *ABM*, August

Australian Meat and Livestock Industry Policy Council (1989), *Foreign Investment in the Australian Meat and Livestock Industry*, AMLIPC Industry Report No.10, October

Australian Tax Office (1989), *International Profit Shifting and the Australian Taxation System: Executive Summary*, mimeo

Bryan, Dick (1989), "Whose Balance of Payments?", *Journal of Australian Political Economy*, 24, March

Bureau of Industry Economics (1987), *Monitoring the Offsets Program, Program Evaluation Report 3* (Canberra: AGPS)

Bureau of Industry Economics (1988), *Importing technology*, Research Report No.25 (Canberra: AGPS)

CSIRO (1985), *Research for Australian Industry: Advanced Materials* (Canberra: AGPS)

Department of Industry, Technology and Commerce (1989?), *Opportunities in Advanced Materials* (Canberra: DITAC, Metals and Engineering Branch)

Fitzpatrick, B. & Wheelwright, E.L. (1965), *The Highest Bidder* (Melbourne: Lansdowne Press)

Head, Beverley (1991), "Hewlett-Packard and Ditac once more the best of mates", *Australian Financial Review*, October 21

Head, Beverley (1992a), "Digital first graduate of Govt's Partners fo Development plan", *Australian Financial Review*, July 27

Head, Beverley (1992b), "IBM the sub-contractor", *Australian Financial Review*, August 10

House of Representatives Standing Committee on Industry, Science and Technology (1989), *The North West Shelf: A Sea of Lost Opportunities?* (Canberra: AGPS)

International Monetary Fund (1988), *International Financial Statistics: Supplement on Trade Statistics* (Washington, D.C.: IMF)

Jones, Evan (1989), "Australia's Balance of Payments: Recent Trends", *Journal of Australian Political Economy*, 24. March

Jones, Evan (1991a), "Economists, the State and the Capitalist Dynamic", *Working Papers in Economics*, No.155, Department of Economics, Univ. of Sydney, January

Jones, Evan (1991b), "Bureaucratic Politics and Economic Policy: the Abolition of the Department of Trade", paper delivered to the 20th Conference of Economists, Economics Society of Australia & New Zealand, Hobart, October

Jones, Evan (1992a), "Direct Foreign Investment into Australia: Maximising the Benefits", in Economic Planning and Advisory Council, *The regulation of capital inflow* (Canberra: AGPS), April

Jones, Evan (1992b), "The Fetishism of the Macroeconomy in Anglo-American Economies", mimeo, September

Jones, Evan & Stilwell, Frank (1989), "What 'free trade' costs Australia", *The Bulletin*, April 11.

Juddery, Bruce (1986), "Line up HERE for foreign contracts", *Australian Business*, July 30

Metal Trades Industry Association (1992), *Growth in Australia's Exports to North and South East Asia 1989 to 1991*, mimeo, May

Parliament of the Commonwealth of Australia, Joint Committee of Public Accounts (1990), *Review of the Finance Minute on Report 270 - 'Implementation of the Offsets Program'* (Canberra: AGPS)

Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Finance and Public Administration [the Martin Committee] (1988), *Shifting the Tax Burden? An interim report on an efficiency audit of the Australian Taxation Office: International Profit Shifting* (Canberra: AGPS), November

Parliament of the Commonwealth of Australia, the Martin Committee (1989), *Tax Payers or Tax Players? A Further Report on an Efficiency Audit of the Australian Taxation Office: International Profit Shifting* (Canberra: AGPS), May

Radice, Hugo (ed) (1975), *International firms and Modern Imperialism* (Harmondsworth: Penguin)

Roberts, Peter (1992), "Japanese majors which dominate Aust[ralian] exports", *Australian Financial Review*, June 10

Stutchbury, Michael (1991), "Declining industries make most noise", *Australian Financial Review*, November 13

United Nations Conference on Trade and Development (UNCTAD) (1981), "Marketing and distribution arrangements in respect of export and import transactions: Structure of international trading channels", UNCTAD/ST/MD/25, 30 November

Whitwell, Greg (1986), *The Treasury Line* (Sydney: Allen & Unwin)

Yoshino M.Y. & Lifson T.B. (1986), *The Invisible Link* (Cambridge: MIT Press).