

Australia Profile

History: The Commonwealth of Australia is a country in the southern hemisphere comprising the mainland of the world's smallest continent, the major island of Tasmania, and a number of other islands in the Indian and Pacific Oceans. The neighbouring countries are Indonesia, East Timor, and Papua New Guinea to the north, the Solomon Islands, Vanuatu, and New Caledonia to the north-east, and New Zealand to the south-east. The Australian mainland has been inhabited for more than 42,000 years by indigenous Australians. After sporadic visits by fishermen from the north and then European discovery by Dutch explorers in 1606, the eastern half of Australia was later claimed by the British in 1770 and initially settled through penal transportation to the colony of New South Wales, commencing on 26 January 1788. As the population grew and new areas were explored, another five largely self-governing Crown Colonies were established during the 19th century. On 1 January 1901, the six colonies became a federation, and the Commonwealth of Australia was formed. Since federation, Australia has maintained a stable liberal democratic political system and remains a Commonwealth realm. The capital city is Canberra, located in the Australian Capital Territory (ACT). The population is just over 21 million, with approximately 60% of the population concentrated in and around the mainland state capitals of Sydney, Melbourne, Brisbane, Perth, and Adelaide. Political structure: The Commonwealth of Australia is a democratic federal state within the Commonwealth of Nations. Formally, executive power is vested in the governor-general (who represents Queen Elizabeth II). The legislature consists of a federal parliament comprising a 76-member Senate (upper house) and a 150-member House of Representatives (lower house). Elections are held at maximum intervals of three years, when one-half of the senators (who serve six-year terms) and all the representatives are elected by compulsory ballot. Each of the six states in the federation has its own government, with a governor and a bicameral legislature, with the exception of Queensland, which has a unicameral legislature.

Capital Canberra 35°18'S 149°08'E

Monarch Queen Elizabeth II Governor-General Michael Jeffery Prime Minister Kevin Rudd

Independence from the United Kingdom Constitution 1 January 1901 Statute of Westminster 11 December 1931 (- Australia Act 3 March 1986

Area - Total 7,741,220 km² (6th) 2,988,888 sq mi - Water (%) 1 Population - 2008 estimate 21,290,000 [1] (53rd) - 2006 census 19,855,288 - Density 2.6/km² (224th)

6.7/sq mi GDP (PPP) 2007 estimate - Total US\$718.4 billion (IMF) (17th) - Per capita US\$34,359 (IMF) (14th)

GDP (nominal)

2007 estimate - Total US\$936.4 billion (15th) - Per capita US\$42,553 (DFAT) (16th)

Currency Australian dollar (AUD) Time zone various N3 (UTC+8 to +10.5) - Summer (DST) various N3 (UTC+9 to +11.5) Internet TLD .au Calling code +61

Policy issues: Labour market and taxation reform has dominated government policy in recent years. Foreign relations and defence are being accorded a high priority, and various free-trade agreements are being pursued. Regional development, reform of the public health, higher-education and welfare systems, and superannuation (voluntary public pension contribution) schemes are also assuming greater importance. Further labour market reform is on the agenda. Taxation: The corporation tax rate of 30% is applied both to retained earnings and to dividends. Shareholders receive credits for corporation tax already paid on dividends. Personal income tax is progressive, with the top marginal rate of 45% levied on earnings over A\$150,000 (US\$119,000). In addition, the federal government collects a levy of 1.5% of personal taxable income as a contribution towards healthcare. Economic data: - The Labor Party has a large majority in the House of Representatives (the lower house of parliament) and a clear popular mandate to implement its agenda. The next federal election will take place in 2010. At present, the opposition Liberal-National coalition is failing to present a united front, and it may struggle to put itself forward as a credible alternative to Labor before 2010. However, Labor will be open to criticism over high inflation and weaker economic growth.

- Mr Rudd may be better placed than was Mr Howard to foster trade ties with China, having spent a number of years as a

diplomat in the Chinese capital, Beijing, and being fluent in Mandarin. However, he is unlikely to embrace wholeheartedly that country's growing influence in the Asia region. Labor will implement considerable income tax cuts in 2008-10 to fulfill its election pledges. However, the budget will remain in surplus during the forecast period, owing to robust GDP growth and government efforts to contain spending. The government is attempting to use the tax system to ease the burden of an ageing population by making saving for retirement more attractive. Annual GDP growth is expected to average 2.6% in 2008-12, down from an average of 3.3% in 2003-07. Domestic demand will remain the main engine of growth, but despite high employment levels, pension reforms and fiscal handouts, private consumption growth is likely to moderate as households move to reduce their high levels of debt. High rates of capacity utilisation in many sectors will encourage healthy investment growth. Inflationary pressures persist, with capacity utilisation rates still high and the labour market remaining tight. Inflation is expected to be above the 2-3% range targeted by the Reserve Bank of Australia (the central bank) in 2008 and 2009. The Australian dollar is forecast to depreciate against the US dollar in 2009-12, owing to falling interest rates and weakening world commodity prices. The main downside risks to the EIU forecast for GDP growth are: a greater than expected fall in international commodity prices; a drop in housing prices; continued turmoil in global financial markets; a larger than projected rise in inflation; and a continuation of the drought, which is harming agricultural output. The current-account deficit will average around 5.9% of GDP (based on IMF measures) in 2008-12, reflecting large interest payments on foreign debt on the income account.

The prime minister, Kevin Rudd, has made a number of policy changes that mark a clean break from the previous administration, but they may create some challenges. The Labor Party government will continue to reverse some of the changes that were made to industrial relations laws in 2006. However, it will also keep in place a number of restrictions on unions' right to strike. By vowing to tackle inflation, Mr Rudd may be opening himself up to criticism if his cuts to planned public spending increases fail to lower price pressures.

Brisbane. The continued inflationary pressures are likely to remain strong in 2008-09. The Labor government has promised a large package of tax cuts, but is also looking to trim the public spending increases proposed by the previous government. The fiscal surplus will average a healthy 1.4% of GDP in 2008-09. The Economist Intelligence Unit expects GDP growth Melbourne to slow to 2.9% in 2008 from 3.9% in 2007. Interest-rate increases appear to be hurting business confidence.