

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

**DEVELOPMENT OF INTERNATIONAL INVESTMENT
PROJECT 'IMPRESSIONS' IN AUSTRALIA**

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Specialty: 292 International economic
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Abstract

Prokhno Danil. The development and ways of implementation of an international investment project souvenir shop 'Impressions' in Australia.

This paper has carried out a study of the Australian economy. Both the present and the analysis of the last 10 years. It is revealed that Australia is a country with a high rate of economic development. This is facilitated by a highly developed post-industrial environment. This creates a favourable environment for the acceptance of foreign investors. In addition, tourism occupies a high percentage of the Australian economy. In the paper developed an international investment project of creating a souvenir shop in Melbourne using own funds of an investor from Ukraine. The given calculations of necessity of investment resources, the organizational-legal form of the created enterprise is grounded, and also calculations of the basic indicators which have given the chance to estimate investment attractiveness of the offered project are carried out.

Keywords: investment climate of Australia, NPV, payback period of the investment project

Анотація

Прохно Д. А. Розробка та шляхи реалізації міжнародного інвестиційного проекту сувенірної крамниці «Враження» в Австралії

У роботі проведено дослідження економіки Австралії. Як на сьогоднішній момент, так і аналіз за останні 10 років. Виявлено, що Австралія є країною з високими темпами економічного розвитку. Цьому сприяє високорозвинений постіндустріальний простір. Це створює сприятливі умови прийняття іноземних інвесторів. Крім того, високий відсоток в економіці Австралії займає туризм. У роботі розроблений міжнародний інвестиційний проект із створення сувенірного магазину в Melbourne за рахунок власних засобів інвестора з України. Приведені розрахунки потреби в інвестиційних ресурсах, обгрунтована організаційно-правова форма створюваного підприємства, а також проведені розрахунки основних показників, які дали можливість оцінити інвестиційні привабливість запропонованого проекту.

Ключові слова: інвестиційний клімат Австралії, NPV, термін окупності інвестиційного проекту

DEVELOPMENT OF INTERNATIONAL INVESTMENT
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INTRODUCTION

Today, the Australian economy is one of the leading economies in the world and continues to show quite high GDP growth rates for developed countries.

The main purpose of this work is to establish the interdependence between the Australian investment regime and the development of the national economy in general and the extractive sector in particular. Thus, the investment regime is the object of research. The influence that it exerts on economic development through its characteristics is the subject of the study. The main hypothesis is that although the investment regime lacks transparency, particularly in the government approval phase of investment proposals, due to the unclear concept of national interest, the incentives it offers, together with a favorable investment climate, allow Australia to take advantage of the traditional benefits of «high quality» investment.

According to the IMF, Australia this year ranked 14th in the ranking of the world's economies by nominal GDP (\$1,500.26 billion.)

Australian experts believe that due to Chinese loans, the region risks falling into a debt crisis and becoming more susceptible to diplomatic pressure from Beijing. Chinese loans account for more than 60% of the total external debt burden in Tonga, and 50% in Vanuatu. Papua New Guinea has the largest debt to China (almost \$ 590 million).

Against the backdrop of competition with Chinese loans, Australia intends to significantly expand its assistance program to Pacific island states. In 2017-2018, Australian aid to Oceania amounted to \$ 180 million, and for 2018-2019, it is planned to allocate \$ 261.3 million from the budget. Thus, the amount of official Australian aid to the region will increase by almost 45% compared to the previous year.

In the medium term, Australia will continue to work to address regional challenges through the Pacific Assistance Program, which involves attracting migrant workers, developing tourism, and providing financial and technical assistance to address climate change and natural disasters.

The Australian Government considers stability in the South Pacific region to be a critical aspect of its national security. This is not least because three of Australia's five major maritime trade routes pass through the Pacific Ocean, accounting for about 45% of Australia's maritime exports. Any instability in the region will significantly affect the country's economy, so in the current political environment, it can be assumed that in the near and medium term, the Australian government will pay more attention to regional security. So, in November of this year, Australia and Papua New Guinea signed a deal on the reconstruction of the naval base in Lombrum on Manus Island. The agreement will allow Canberra to use the port to host its warships and strengthen its strategic position in the South Pacific and the South China Sea.

The object of the work is the current state of the Australian economy.

The subject of the work is the investment activity of Australia.

The purpose of the work is to develop and implement an international investment project in Australia.

To achieve this goal, the following tasks were identified:

- to characterize the current economic situation in Australia to;
- determine the impact of COVID 19 on the country's economy;
- identify the Main principles of Australia's foreign economic policy;
- and describe the impact of foreign trade on the development of the Australian economy;
- According to main indicators of project evaluation – make calculations, describe the main positions and aspects of my investment project; to draw a conclusion about the quality and effectiveness of my project

CHAPTER 1

ANALYSIS OF THE AUSTRALIAN ECONOMY

1.1 Current economic situation in Australia

Australia takes an active part in various international associations, in particular, it is one of the founding countries of the UN and is a member of most of the specialized agencies of the organization. Since the creation of the UN, the country has supported the organization's role in resolving conflicts and maintaining global stability: the state actively participates in UN peacekeeping activities.

In 2018, Australia entered the UN Human Rights Council for the first time, its membership will last until 2020 inclusive. The country's main areas of interest were gender equality, freedom of speech and impartiality of the Council itself. In addition to the UN, Australia plays an important role in the G20 - a forum created for effective cooperation between states on economic and financial issues.

In 2014, the country chaired the G20: the main issues on the agenda were the development of the organization, reform of the financial system and tax regulation. Australia is also a member of the Organization for Economic Cooperation and Development and is a member of the WTO and Interpol.

The country is also pursuing successful regional integration with the countries of the Asia-Pacific region, in particular, it is a member of the Asia-Pacific Economic Cooperation, the Asian Development Bank, and the East Asia Summit. In addition, Australia is a dialogue partner and part of the regional forum of the Association of Southeast Asian Nations, created to promote peace and stability in the Asia-Pacific region. Australia also spearheaded the creation of the Australia Group, an informal forum for states that, through export controls, seek to prevent foreign trade from contributing to the development and production of chemical and biological weapons.

Despite the fact that Australia is located at a considerable distance from most other countries in the world, the country's economy is highly integrated into world

economic processes, in particular, into foreign trade. The country is one of the key exporters in the world in many product categories, including the export of coal, iron and liquefied natural gas.

Australia's first bilateral trade agreement was a free trade area with New Zealand, which would create a single market between the two countries. In addition, the state has concluded agreements on free trade and economic cooperation with other countries of the Asia-Pacific region (China, Japan, the Republic of Korea, etc.), as well as with the United States and Chile. An agreement with the countries of the Cooperation Council for the Arab States of the Persian Gulf (Bahrain, Qatar, Kuwait, UAE, Oman and Saudi Arabia) is under development.

According to the IMF, Australia's GDP is 0.95% of the world at purchasing power parity. The country is in the first top 20 economies in the world in terms of GDP (46.6 thousand international dollars / person) and, according to the report of the Swiss bank Credit Suisse on world wealth, ranks fourth in the world in terms of the average level of wealth per adult and second (after Switzerland) in median terms. In addition, Australia, which ranks 6th, is among the ten countries with the highest level of globalization index, calculated by the Swiss Economic Institute (KOF Swiss Economic Institute).

Dynamics of key macroeconomic indicators.

Australia's GDP growth rate in 2019 fell to 1.7%, the lowest level since 1992.

Australia's economy has been growing steadily for nearly 30 years. According to IMF estimates, in 2000-2019, the country's gross output grew by more than 70%. The average annual growth rate of real GDP in Australia in 2000–2019 was 2.9% (Chart 1), and in 2000–2008, the growth rate of the country's gross output exceeded the average indicator for the countries of the Organization for Economic Cooperation and Development.

Despite the global financial and economic crisis, the country's economy grew in 2008-2009, and the GDP growth rate decreased only in 2009 to 1.9%. The slowdown in Australia's GDP growth during the "Great Recession" was primarily caused by a reduction in demand for raw materials from China, which is a key

importer of Australian goods. This led to a sharp devaluation of the Australian dollar: in September-December 2008, the national currency depreciated by more than a quarter. To maintain financial stability, it was decided that the state:

- will make reimbursement of deposits in the event of bankruptcy of a bank, credit union or construction company;
- will guarantee short-term debt obligations when banks receive large loans from abroad.

These and a number of other measures aimed at stimulating production and guaranteeing employment contributed to the return of the economy to pre-crisis growth rates. In 2012, the growth rate of the Australian economy reached 3.9%, after which it declined to 2.1% the following year. The sharp decline in the value of the indicator was due to the deterioration in the terms of trade, as well as the associated depreciation of the Australian dollar. In addition, a negative factor was the decrease in the output of the extractive industry.

Between 2014 and 2018, Australia's gross output grew at an average annual rate of 2.6%. Australia's economy grew 1.7% in 2019, the lowest level since 1992. The key reason was the contraction in domestic demand. Inflation continued to decline (to 1.6% in 2019), which led to a decrease in the key rate in the second half of last year to a historic low (0.75%). In addition, according to the Central Bank of Australia, it is necessary to stimulate investment in the country (the accumulation rate in 2019 dropped to 22.5% of GDP).

An additional factor that had a negative impact on the country's economy in 2019 was the trade confrontation between the United States and China. Rising commodity prices in global markets, in turn, positively impacted economic growth in 2019. Despite a slight slowdown in economic growth last year, for the first time since 2007, Australia experienced a government surplus (0.2% of GDP), which is associated with growing tax revenues (Table 1.1). The unemployment rate in 2019 reached 5.1%, the lowest level since 2009. High labor productivity (especially in the industrial sector) continues to be an important factor in Australia's economic growth.

Table 1.1

Main macroeconomic indicators of Australia, 2005–2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GDP,% to prev. year	2,9	4,4	2,7	1,9	2,6	2,5	2,8	2,4	2,7	1,7
GDP nominal, trillion USD	0,7	0,9	1,1	1,0	1,5	1,2	1,3	1,4	1,4	1,4
GDP per capita PPP, thous. Doll.	40,5	42,0	42,2	42,2	44,7	45,2	45,6	46,0	46,5	46,6
Accumulation rate,% of GDP	27,9	28,3	28,4	27,0	26,4	25,9	24,7	24,2	24,2	22,5
Average annual inflation,%	2,7	2,4	4,3	1,8	2,5	1,5	1,3	2,0	2,0	1,6
Import (goods and services), growth, %	9,5	13,1	10,6	-8,1	-1,4	2,0	0,1	7,7	4,0	-1,2
Export (goods and services), growth, %	3,4	3,4	4,4	2,0	6,9	6,5	6,8	3,4	5,0	3,1
Unemployment, % workers strength	5,0	4,4	4,3	5,6	6,1	6,1	5,7	5,6	5,3	5,1
Population, million people	20,3	21,0	21,5	21,9	23,6	24,0	24,4	24,8	25,2	25,6
State budget balance,% of GDP	1,6	1,3	-1,1	-4,5	-2,1	-1,9	-1,6	-0,8	0,0	0,2
Public debt,% of GDP	10,9	9,7	11,8	16,7	34,0	37,7	40,5	41,1	41,4	41,8
Current account operations,% of GDP	-5,9	-6,5	-4,7	-4,7	-3,1	-4,6	-3,3	-2,6	-2,1	-0,3

Source: Table was build with World Bank Open Data |2021.

Sectoral and regional structure of GDP.

Australia's value-added industry structure is highly diversified.

Australia, like many other developed countries, is characterized by an increasing role of services in the economy. In this regard, since 1975, the sectoral structure of Australia's GDP has undergone significant changes, in particular, the share of the service sector in the country's economy has noticeably increased (by 9.6 percentage points in 1975–2019). The most dynamic growth among all types of economic activity was demonstrated by the information and telecommunications sector - the volume of its value added increased 11.7 times in 1975–2019 (Table 1.2). Financial and insurance activities were actively developing, which, as of 2019, began to dominate in the sectoral structure of GDP, and the mining industry, which is in second place in terms of its share in value added.

The agricultural sector accounted for 2.3% of value added in 2019. In 2009–2019, a decrease in the added value of the primary sector was recorded: during this period, the growth in agriculture, forestry, livestock and fish farming became negative and amounted to -6.7%. The share of this type of economic activity in value added has also declined (4.0% in 1975, 3.5% in 2000 and 3.2% in 2009). However, the sector continues to play a significant role in Australia's economy, including foreign trade, as livestock products are among the main export commodities.

The share of the industrial sector also slightly decreased: from 16.7% of value added in 2000 to 15.1% in 2019. At the same time, there was a shift in the structure of industry towards the predominance of the extractive sector in value added. By 2019, the share of manufacturing declined to 6.0% after 10.2% of value added in 2000 against the backdrop of outstripping growth in the services and mining sectors (+ 563.1% in 1975–2019 against + 51.5% in manufacturing). sector), the share of which increased from 6.5% to 9.1%. Nevertheless, the decline in the share of manufacturing in the sectoral structure of GDP should be seen as a normal process of transition to an economy based on the service sector. The growth of the mining industry is due to the increase in natural gas production with the aim of further export of LNG by Australia.

Table 1.2

Sectoral structure and value added growth in Australia by main economic activity, %, 2009-2019

	2009	2019	Growth 2009–2019 the years
Total	-	-	29,8
Agriculture, forestry, animal husbandry and fish farming	3,2	2,3	-6,7
Extractive industry	6,5	9,1	82,2
Processing industry	8,4	6,0	-7,2
Providing electrical energy, gas and steam, water supply	3,2	2,6	8,4
Construction	8,6	7,8	17,1
Wholesale trade	4,1	4,1	29,6
Retail trade	4,5	4,4	27,0
Hotel activities and enterprises of societies, nutrition	2,7	2,4	18,8
Transportation, storage and postal services	5,2	4,9	21,2
Activities in the field information and communication	2,3	2,6	44,2
Financial activity and insurance	9,0	9,3	34,3
Activity by operations with real estate	2,8	3,2	44,6
Activities professional, scientific and technical	6,2	7,4	56,0
Administrative services	3,6	3,7	31,1
Public administration	5,9	5,6	21,6
Education	5,5	5,1	20,9
Activities in the area health care and social services	6,3	7,8	60,3
Recreational services	0,9	0,9	27,0
Other services	2,1	1,9	20,6
Property ownership	9,8	8,9	17,3

Source: Table was build with World Bank Open Data |2021

Australia's economy is characterized by a highly developed service sector, which accounts for 73.7% of the country's total value added. In the tertiary sector of the economy, as well as in the sectoral structure as a whole, financial and insurance activities dominate, the share of which is 9.3% of value added. In addition, construction and activities in the field of health care and social support of the population play an important role in the service sector, accounting for 7.8% of GDP each. The smallest share in the tertiary sector is occupied by recreation and recreation, the share of which in 2019 amounted to only 0.9% of value added.

The regional structure of Australia's GDP is not as balanced as the sectoral structure - the country is characterized by high differentiation in the level of

development of regions and their contribution to the country's GDP. According to the Australian Bureau of Statistics, in 2019, the largest contribution to the formation of GDP (75.2%) was made by three administrative divisions out of eight: the states of New South Wales (32.6% of GDP), Queensland (23.7% of GDP) and Victoria (18.9% of GDP; Figure 2). According to the OECD report, in 2000-2016 the gap between the richest and the richest regions of Australia widened, and more than 2/3 of the GDP growth in this period accounted for only 6 metropolises (cities with a population of over 500 thousand people). This situation is largely due to natural and geographical conditions, in particular, the fact that most of the Australian territory is occupied by desert areas unsuitable for agriculture.

In addition, the Australian economy is characterized by a high degree of susceptibility to natural disasters, in particular drought and wildfires. From October 2019 to the present, massive fires have continued in the country, which have already covered more than 10 million hectares of forests, mainly in New South Wales and Victoria. Experts note that forest fires are negatively affecting the agricultural and tourism sectors of the economy and the likely economic losses this year could exceed \$ 4.4 billion - the record damage caused by fires in 2009.

Australia's rich and diverse natural resources include vast reserves of coal, iron ore, copper, gold, natural gas, uranium and renewable energy, and attract high levels of foreign investment. Major investment projects, such as the \$ 40 billion Gorgon natural gas and oil project, will significantly boost the extractive sector. Australia also has a developed service sector and is a major exporter of natural resources, energy and food. Key principles of Australia's trade policy include support for open trade and successful multilateral trade negotiations, especially in agriculture and services.

The Australian economy grew for 17 consecutive years before the global financial crisis. Subsequently, the government introduced a fiscal stimulus package worth more than \$ 50 billion to offset the effects of a slowing global economy, while the Reserve Bank of Australia cut interest rates to historic lows. These policies - and continued demand for consumer goods, particularly from China - have helped the

Australian economy recover from just one quarter of decline. The economy grew by 1.2% in 2009 - the best performance in the OECD-and by 3.3% in 2010. Unemployment, which was originally planned at 8-10%, peaked at 5.7 % in late 2009 and fell to 5.1 % in 2010.

As a result of the economic recovery, the budget deficit will not exceed 4.2% of GDP, and the government will be able to count on a budget surplus in 2015. Australia was one of the first advanced economies to raise interest rates 7 times between October 2009 and November 2010. The Australian government is currently focused on boosting the country's economic productivity to ensure sustained growth, and continuing the sometimes tense but generally productive economic relationship with China. Australia is negotiating a free trade agreement with China, Japan, and Korea.

In 2018, Australia ranked 5th in terms of ease of doing business and 6th in terms of well-being. The country is actively developing agriculture, producing oil and gas, operating factories of 11 well-known automobile brands, and operating one of the largest stock exchanges in the world. The country's GDP per capita is more than 56 thousand dollars, which is more than in the UK, Germany, and Switzerland. This result is achieved by using the laissez-faire principle. The country sells wheat and wool, oil gas, cars, frozen meat and fish.

Australia is a continental country that ranks 6th in the world in terms of GDP per capita and 13th in terms of gross domestic product. The area of its territory is the 6th largest in the world. In 2018, the country was ranked second in the Human Development Index.

The Australian Union includes not only the territory of the mainland, but also the island of Tasmania, as well as several islands of the Pacific and Indian Oceans. Most of the country's territory is occupied by deserts and lowlands. To the east are low, crumbling folded mountains.

The largest cities in the country: Sydney, Brisbane, Melbourne, Perth, Canberra.

Australia's economy is based on agriculture, mining, automotive, and the oil and gas industry.

In 2018, inflation in the Australian Union was 2.0% per year. For 12 months, it has increased by only 0.35%, which indicates that there is a trend of slowing economic growth in the national economy. The average salary in 2019 is 60,892 Australian dollars per year, which is 5,074 AUD per month.

The country's quarterly GDP growth is 1.5-2.2%. Its dynamics is determined by the volume of output of agricultural and mechanical engineering products, the dynamics of world prices for oil and gas. Unfavorable fluctuations in oil prices in 2015 did not affect the gross domestic product. The reduction in the indicator in 2018 is associated with signs of overheating of the national economy (Fig.1.1).

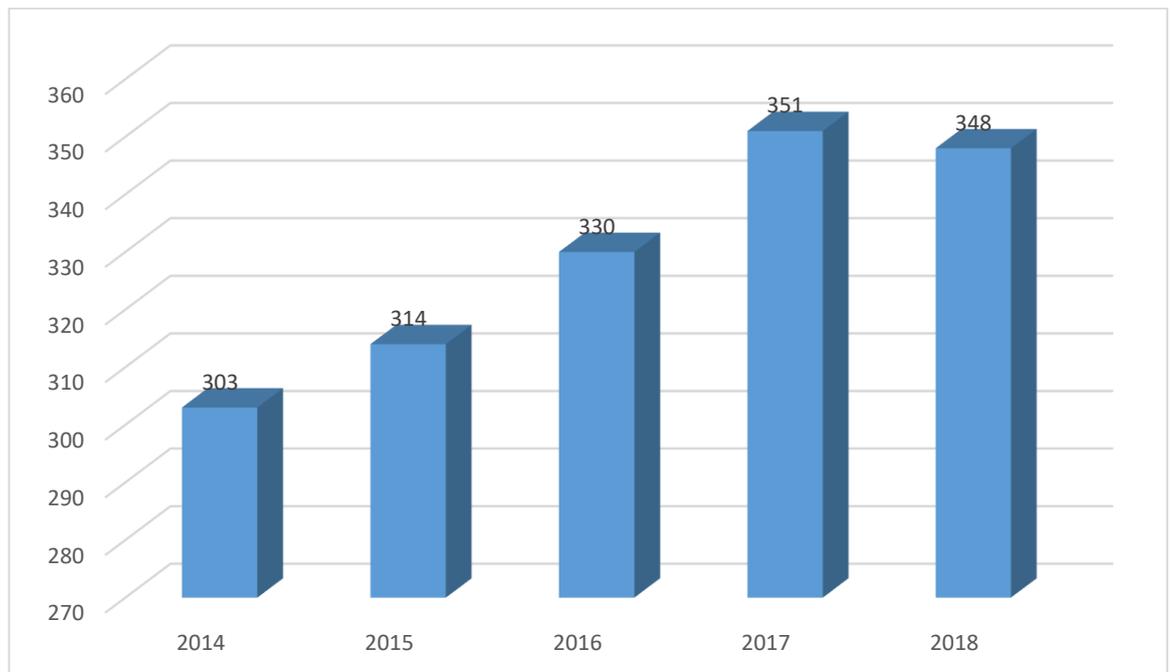


Figure 1.1. Dynamics of the GDP of the Australian Union in 2014-2018, billion US dollars

Source: Graph was build with Australian Bureau of Statistics|2021

In 2018, Australia's per capita GDP was \$ 56,352. Over the year, the indicator grew by 0.7%. The reduction in the growth rate of the indicator is due to signs of overheating of the national economy in the conditions of efficient use of resources and full employment.

According to the World Bank, from 2019 to 2021, Australia will have a slow growth rate of national income: an average of 0.8-1.4% per year.

Financial, consulting, legal, and insurance services in Australia account for 14% of the country's GDP. On its territory, there are world-famous financial companies: National Australia Bank, Commonwealth Bank, Rio Tinto, Westpac, Telstra, Macquarie Group, Woolworths Limited.

The Australian Securities Exchange is the largest exchange in the southern hemisphere. In terms of market capitalization, it ranks 9th in the world.

Foreign trade turnover in 2018 amounted to \$ 442 billion, which is 5.1% higher than in 2017. The slowdown in economic growth in the country led to a reduction in the number of foreign trade operations by 0.9%.

Australia's key foreign trade partners are China, Japan, Hong Kong, India, the United States, South Korea, and Thailand. (Figure 1.2)

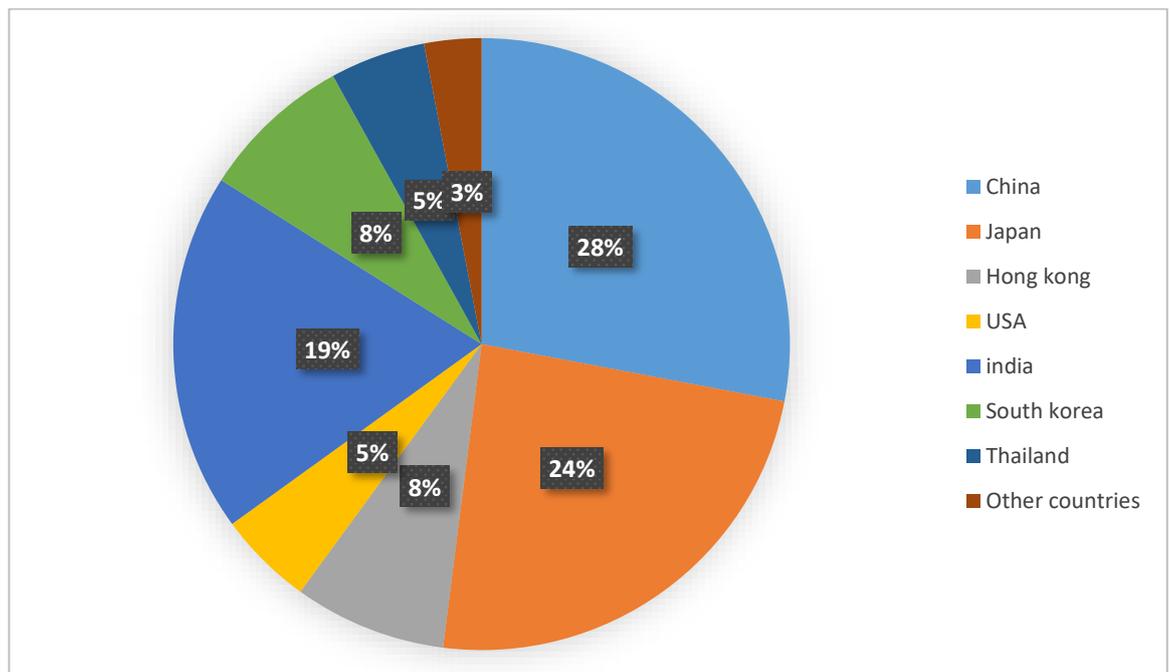


Figure 1.2. Australia's main foreign trade partner countries

Source: Department of Foreign Affairs and Trade|2021

Australia's external debt in 2018 was \$ 1,540,980 billion, which is 151% of the country's GDP. In 2020-2025, experts predict its growth by an average of 2.5-3.7% per year.

1.2 The impact of COVID 19 on the country's economy

In December 2019, the Australian government lowered its budget surplus forecasts for the current and next fiscal years, noting the negative impact of the US-China trade dispute on the global economy. According to the semi-annual economic forecast, Australia's budget surplus in the current financial year, which ends on June 30, 2020, will be 5 billion Australian dollars (\$3.4 billion), in the next - 6.1 billion dollars.

Earlier in February, the Reserve Bank of Australia (RBA) warned that the coronavirus is a source of uncertainty for the economy, but did not give an assessment of its impact on the country's GDP growth.

In the fall of 2019, large-scale wildfires began across the country, killing more than 30 people and destroying thousands of homes. The RBA estimates that the fires will reduce the country's GDP growth by 0.2 percentage points in the second and third quarters of the current financial year.

China accounts for more than a third of Australia's exports, The Wall Street Journal notes. A temporary ban on the entry of Chinese tourists and restrictions on the return of Chinese students studying at Australian universities could have significant implications for education and tourism in this country.

Starting in January 2020, Australian government agencies are working closely to identify and implement appropriate responses to this unprecedented situation, which is having a significant impact on the aviation industry. I am referring to the close coordination of the Australian Union, State and territory health authorities in organizing the national response to COVID-19, including medical advice related to international air travel, in the light of Australia's current national pandemic planning guidelines and the Australian National health sector emergency response plan for the new coronavirus.

On May 29, 2020, the Australian authorities presented a new strategy «Partnerships for Recovery: Australia's COVID-19 Development Response», which focuses on the program of assistance to the neighbors in the South Pacific region

(South Pacific), Timor-Leste and the countries of South-East Asia in the field of health and economy. Together with Australian Foreign Minister Marise Payne, the new strategy was presented by Alex Hawke, the Minister for International Development and Pacific Assistant to the Minister of Defense of the country, which underlines the priority of the Oceanic direction of the new Australian strategy.

The Australian Government has decided to fund a number of measures in response to the pandemic. The AUD \$ 180.9 billion (9.3% of GDP) support measures will be implemented in the 2020-2021 financial year (July 1, 2020 to June 30, 2021) and include employee wage subsidies (5.4% of GDP), support for household income and business cash flow, investment incentives, and targeted measures for affected regions and industries.

The Australian government will assist in co-financing a series of infrastructure projects in the regions (AUD \$ 3.9 billion), projects in the arts and film industry to support job creation under the JobMaker program, as well as a package of home care services for the elderly (AUD \$ 0.3 billion)

The Australian government has also introduced a new JobTrainer Skills acquisition program (AUD \$ 2 billion).

The higher education assistance package provides cash assistance to universities and other higher education institutions to continue the education of students, including employees laid off in connection with the crisis caused by the COVID-19 pandemic. To improve the training of Australians to match their skills to jobs created by businesses, the Australian Government has doubled the cost of higher education in the humanities and reduced the cost of higher education in other fields, including agriculture. The government has introduced the JobKeeper Payment system to help businesses and non-profit organizations severely affected by the COVID-19 pandemic pay their employees' salaries. This will allow businesses to retain workers and resume work after the crisis ends, and allow employees to keep their jobs and incomes. The payment of the benefit during the 14-day period of self-isolation due to the pandemic has been agreed by the federal Government with regional governments.

In July 2020, it announced the extension of wage subsidies until March 2021 and additional support for household income until December 2020, with a reduction in mandatory payments — to facilitate the gradual transition to recovery.

Regional governments also announced additional financial packages worth AUD \$ 36.9 billion (1.9% of GDP), including payroll tax benefits for businesses and households (discounts on utility bills, cash payments to vulnerable households, support for health spending), etc.

The government supports small businesses in retaining apprentices and trainees. The program provides employers with a 50% salary subsidy paid to each intern from January 1, 2020 to September 30, 2020.

Temporary support is provided to small and medium-sized businesses and non-profit organizations, including charities, with a combined annual turnover of less than AUD \$ 50 million and employing staff during the economic downturn associated with the COVID-19 pandemic.

The Government has introduced a new Australian \$ 680 million Housing Development Program (HomeBuilder), which is expected to provide eligible owners/tenants with grants of AUD \$ 25,000 for the construction of new or major repairs to existing homes. The program will support 140,000 jobs directly and another 1 million jobs in the housing sector indirectly.

The Government also announced new targeted grants of AUD \$ 86 million to support the forestry, wine and apple industries affected by the COVID-19 pandemic. This initiative aims to help communities accelerate the economic recovery and ultimately increase the number of jobs in the regions.

During the COVID-19 pandemic, Australia provided assistance packages to Papua New Guinea, Fiji, Vanuatu, Solomon Islands, Samoa, Tonga, Nauru, Kiribati, Timor-Leste.

The largest beneficiary of Australia's aid was Papua New Guinea, whose territory has been established in the minds of Australians as a shield protecting the country since the middle of the XIX century. It is also worth paying attention to the statement of the Australian scientist Allan Gingel: «Australia has no conceivable

future-bad or good, in which China does not play a key role», which is hard to disagree with. There is little doubt that the growth in official development assistance from the PRC to the island states of Oceania affects Australia's foreign policy vector towards its neighbors. Over the past two decades, China has made some progress in building relations with the States of the South Caucasus. For example, China's trade with Oceanic countries has increased 23-fold since 2000 (from US\$270 million to US\$6.39 billion). Moreover, in the period 2017-2018, China has overtaken Australia as the main trading partner for Oceania, where thousands of Chinese companies now operate in industries ranging from mining to restaurants and grocery stores. In 2010-2020, China also became the third largest aid donor in Oceania, contributing over US\$1.7 billion. for the implementation of 287 projects.

Given the rather strong economic consequences of the pandemic, which will be difficult for Australia to resolve alone, the PRC has the opportunity to impose competition on Australia in the Oceanic space, even if, judging by the diagram above, if not in the short term, then in the medium term. To date, China has allocated about US\$1.9 million to Oceania island states to combat the pandemic, provided personal protective equipment (PPE), and held a number of meetings with representatives of Oceanic States and pledged support in the fight against the COVID-19 outbreak and its consequences. Of course, one of the advantages of the PRC in the post-pandemic UTR can be its close trade relations with the countries of Oceania, which will also help their economic recovery.

In 2020, the South Pacific region was also affected by the so-called «vaccine diplomacy», in line with which Australia decided to provide the AstraZeneca vaccine to both its citizens and residents of Oceania and South-East Asia. Australia plans to spend about US \$ 500 million on vaccination. Thus, the vaccine is likely to be added to the COVID-19 tests, PPE, quarantine facilities, etc. presented by Canberra to the Oceanic states.

In the short term, the fight against the pandemic and its consequences will be an important aspect of Australia's foreign policy, and the release of funds for official development assistance will be a powerful tool for strengthening and expanding

influence in the South Pacific region, not only for Australia, but for China and a number of other «heavyweights» in the region.

CHAPTER 2

FOREIGN ECONOMIC ACTIVITY OF AUSTRALIA: BASIC PRINCIPLES, FOREIGN INVESTMENT

2.1 Basic Principles of Australia's Foreign Economic Policy

Foreign economic activity (FEA) is financial activity in foreign markets. It contains numerous aspects related to the sale of goods, transportation, services, and intellectual property, which are the main functions and ultimate goal of working with the desire to make a profit.

The 2017 Foreign Policy White Paper, which outlines Australia's foreign policy strategy for the next decade, states that more than ever, Australia must be sovereign and take responsibility for its own security and prosperity. At the same time, Canberra is aware of the limits of its capabilities and recognizes that it can be strong if it works closely with its traditional partners.

Australia positions itself as a regional power with global interests, so in the near and medium term, it will strive to strengthen and develop multilateral international partnerships in the Asia-Pacific Region (APEC, ASEAN, etc.), as well as such megaprojects as the Trans-Pacific Partnership (TPP) and the Comprehensive Regional Economic Partnership (CREP).

The Australian government attaches particular importance to the development of bilateral relations with the United States, Japan, Indonesia, India, China, Singapore, the Republic of Korea and other states. Apart from this number of countries, of course, there is China, in relations with which everything is not so clear.

China is Australia's main trading partner. Exports to this country in 2017 reached \$ 68 billion (the US for Australians is only in 6th place — \$ 8.6 billion). The total trade turnover of the two countries in 2017 amounted to \$ 120 billion. Thus, the Australian economy is largely dependent on the Chinese one. In addition, according to some experts, the close trade relations between Australia and China have made the Australian dollar one of the most vulnerable currencies.

The interaction between the two countries has not only an economic dimension. Relations between Canberra and Beijing are also developing in the areas of culture, education, science, tourism and security. «We are committed to strengthening our comprehensive strategic partnership for the benefit of both countries,» the Australian Foreign Policy White Paper states and the White Paper on Defense does not even exclude the expansion of cooperation between the two countries on the defense line.

However, the strengthening of China's power is fraught with a weakening of Australia's position in both the Asia-Pacific region and Oceania — Australia's traditional sphere of influence. It seems that in the medium term, a certain adjustment of the Australian strategic line towards the PRC is not excluded.

Canberra will continue to rely on its main strategic partner, the United States, for security and defence. However, many Australian experts are in favor of updating the defense strategy and offer a kind of «plan B». This plan involves strengthening defense cooperation not only with the United States, but also with Japan, India, Indonesia, France, and the United Kingdom. There are also proposals to raise defense spending to 3% of GDP, create your own nuclear submarine fleet, and increase investment in new technologies (artificial intelligence, autonomous systems, etc.).

Rochement with him. After the end of the cold war and the weakening of the military-strategic confrontation between the great powers, small and medium-sized powers have gained more opportunities to balance external threats and advantageous proximity, to use various instruments of international law and institutions to create guarantees of their own sovereignty in the face of significantly superior players in military and economic terms.

According to the threat balance theory of Stephen Walt, balancing is the creation of an alliance against the source of the threat, and joining is the rapprochement with it. Randall Channel identified four types of balancing: balancing itself (creating a counterweight to the threat state), overbalancing (to increase the state's security), unbalancing (passive diplomacy, as well as adjacency) and

unbalancing (ineffective balancing or inaction). In our study, we will try to identify the above-mentioned patterns of behavior of Australia as a middle power.

Australia is a developed country, the 13th in the world in terms of GDP (in 2018) and defense spending, the world's fourth arms importer, a member of the Group of Twenty, the Organization for Economic Cooperation and Development (OECD) and other international associations. Due to its historical cultural proximity to Anglo-Saxon countries, it has close economic and political relations with English-speaking countries, primarily the United Kingdom, the United States, New Zealand, and Canada. In this regard, its status as a military ally of the United States is natural, which is confirmed by both bilateral and multilateral treaties and agreements in the field of security.

The main tasks of Australia's national security, according to the state doctrine, are recognized as the protection and strengthening of the country's sovereignty; the security and «stress tolerance» of the population; the protection of assets, infrastructure and institutions; and the development of an international environment favorable to Australia. The main risks are espionage and foreign interference, instability in developing and weak states, cybercrime, proliferation of weapons of mass destruction, organized crime, inter-state conflicts affecting Australia's interests, and terrorism. In addition, the main factors that will affect the external strategic environment until 2035 include relations between the United States and China, challenges to the stability of the rules-based world order, increased competition between the great powers, and the improvement of military technologies.

The Government identifies five foreign policy objectives. The first is the openness and prosperity of the Indo-Pacific region, where the rights of all States are respected. The second is to generate greater benefits for Australian businesses around the world and to counter protectionism. The third is to protect Australians from the threat of terrorism. The fourth is the promotion and protection of international rules that promote stability and prosperity and allow States to unite to face global threats. The fifth is the «stress tolerance» of the JUTR and East Timor.

To meet these challenges, Australia seeks to cooperate with its global allies both bilaterally and in international organizations. Among them are the United States, the United Kingdom, the European Union, Japan, Canada and New Zealand. Australia cooperates with NATO, stands in solidarity with its allies in relation to Russia. Interaction with the countries of Africa, the Middle East and Latin America is of great importance in the context of strengthening multilateralism in international relations.

The White Paper on Foreign Policy states that the main long-term goal is to ensure the peaceful development of IT without diluting the existing fundamental principles of cooperation. At the same time, it is noted that the strategic landscape of Asia is being transformed under the influence of rapid economic growth. From the point of view of the Australian government, the future balance of power in the region depends, first of all, on the strategic aspirations of the United States and China, second of all – on the policies of Japan and India, and third – on the foreign policy intentions of quite influential states in Southeast Asia, such as Indonesia and Vietnam.

As a developed trading economy, Australia strives for open markets and commercial relations based on international rules, primarily the WTO terms. The priority is to support the following trends in IT: dialogue and cooperation between states, dispute resolution in accordance with international law, without the use of force or coercion; development of open markets; inclusiveness of economic integration and its openness to all countries of the region; respect for freedom of navigation and flight, protection of the rights of small states; deep involvement of the United States in the regional economy and security, its participation in the formation of regional institutions and norms; recognition of the leading role of China in strengthening the regional order based on the above principles.

The use of economic influence by regional actors for their own strategic purposes is contrary to Australia's interests. The Foreign Policy White Paper concludes that trade and investment, which in the past helped to limit strategic rivalry, now stimulate it, which indirectly leads to the militarization of the region.

The alliance with the United States is fundamentally important for the Australian economy, security, and defense. In 2019, the US ranked fifth in Australia's exports and second in imports. The trade turnover amounted to 35.1 billion US dollars, an increase of 4.1 billion over 10 years. Americans provide 25% of foreign direct investment in Australia, ranking first in this indicator. Both countries are members of the ANZUS Collective Security Treaty, the Five Eyes Intelligence Alliance, and the Quadripartite Security Dialogue. The AUSMIN bilateral ministerial consultations are held annually. The Australian Armed Forces took part in US operations in Iraq and Afghanistan. The partners have a State of Force Agreement (Force Posture Agreement), under which US Army personnel serve in Australia. The parties organize annual joint exercises with the participation of Talisman Sabre allies. In accordance with the Treaty on Cooperation in the Field of Arms Trade, defense enterprises of both countries actively cooperate. In addition to Australia, the United States maintains allied relations with a number of other states in the IT industry, including Japan and the Republic of Korea. As a result “a network of alliances has been created that plays a significant role in regional security”. Trilateral cooperation with Japan is also being strengthened. These factors make the United States not only the main ally of Australia, but also the guarantor of its security. This explains Canberra's solidarity with Washington on most international issues.

However, there are also contradictions between the parties. So, in 2017, the United States withdrew from the Trans-Pacific Partnership . The assertive anti-Chinese policy of the administration of President Donald Trump and the weakening of the US position in the IT industry in connection with the strengthening of the PRC create for Australia the need to correct the foreign policy course.

Japan is considered a «special strategic partner» of Australia. In 2019 It ranked second in Australia's exports and third in imports. The trade turnover amounted to 39.4 billion US dollars, having decreased by 3.2 billion over 10 years. The countries cooperate within the framework of a single free trade area. Both countries share universal democratic values, stand for an open regional economy and the rule of law,

and share a strategic alliance with the United States. Australia and Japan cooperate on issues such as combating organized crime, terrorism and the proliferation of weapons of mass destruction, addressing humanitarian issues, maritime and air security, border protection, and weapons development. In accordance with the Joint Declaration on Security Cooperation of 2007, the two countries organize joint exercises, exchange specialists, and conduct a dialogue on defense and international affairs in the format of “2 + 2” (Ministers of Defense and Foreign Affairs), and strengthen trilateral cooperation with the United States and India. Despite the active bilateral contacts, the key role in the military-strategic cooperation of Australia and Japan is played by their bilateral and trilateral relations with the United States.

India is the dominant maritime power in the Indian Ocean and plays a significant role in maritime security, stability and counter-terrorism in the ITR, which coincides with Australia's interests. In 2019 It ranked sixth in Australia's exports and 16th in imports. The trade turnover amounted to 12.2 billion US dollars, having decreased by 4.8 billion over 10 years. Bilateral trade faces a number of obstacles, primarily of a legal nature. For many years, India sought to initiate negotiations on the purchase of Australian uranium, which eventually began in 2017. The parties have not yet reached a common position on the future free trade area. India's interests are contradicted by the development of trade relations between Australia and Pakistan, the trade turnover between which has grown 1.4 times in 10 years (with India it has decreased 1.4 times), but amounted to only 0.7 billion US dollars.

Nevertheless, both countries adhere to democratic values, have contacts in the field of education, and a large Indian diaspora lives in Australia. In 2014, a Framework Agreement on Cooperation and Security was concluded between Australia and India, according to which the AUSINDEX naval exercises are held every two years, and cooperation is conducted in the field of maritime security, counter-terrorism, and the development of military technologies. Since 2017, meetings on defense issues have been held in the 2+2 format. Trilateral cooperation with Japan is also being strengthened. The aforementioned Quadripartite Security

Dialogue, an informal strategic dialogue between Australia, the United States, Japan and India that strengthens joint military capabilities, has become an important tool for improving stability in the region and achieving Australia's foreign policy goals. Quad was initiated in 2007, but suspended in 2008 after the withdrawal of Australia (the reasons for this time gap are below). In parallel with the dialogue, military exercises «Malabar» were held, and Australia has not participated in them since leaving the Quad. In 2017 The dialogue was resumed and five meetings have taken place since then. According to the forecast of the GDP dynamics of the Quad member countries, which is presented in the Australian Foreign Policy White Paper, the combined economic potential of the four countries will exceed the GDP of China by \$ 10.5 trillion by 2030. An important step was the signing of the agreement on trilateral infrastructure cooperation between Australia, the United States and Japan in 2018. It has made it possible to concentrate and direct investments in the fields of energy, transport, tourism and technology. Despite the establishment of a relatively small investment fund — \$ 113 million (for comparison, China's spending on the “One Belt, One Road” initiative is projected to grow to \$ 1.3 trillion in the next decade), this partnership has potential for development.

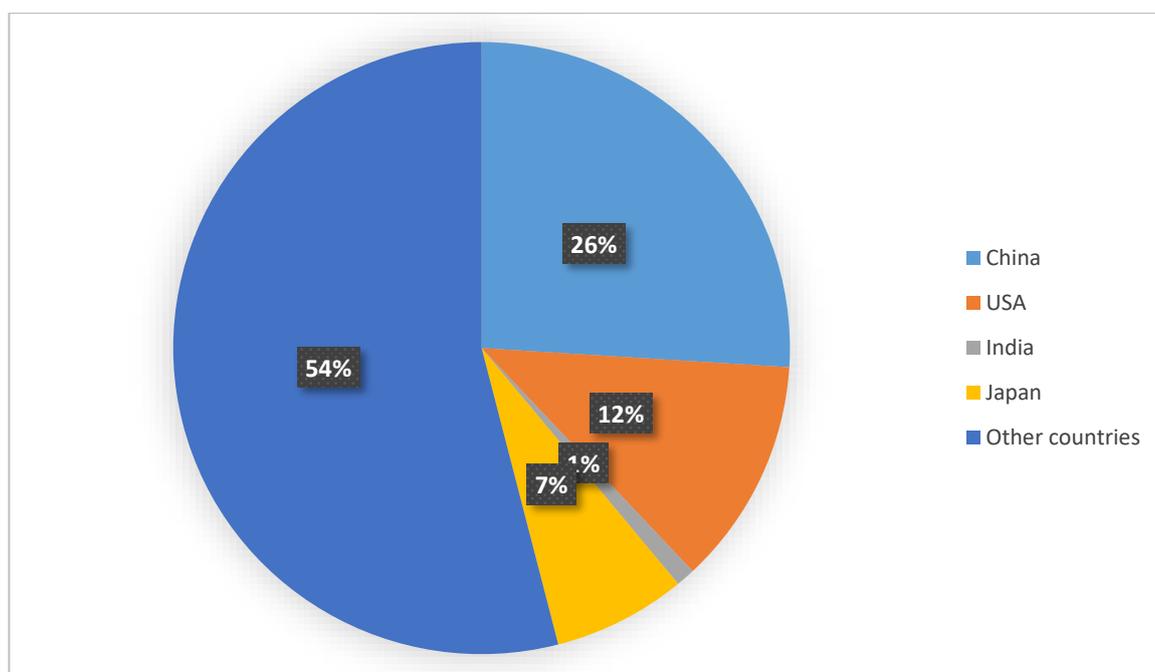


Figure 2.1 – Australia's imports in 2019, billion US dollars

Source: International Cargo Express | 2021

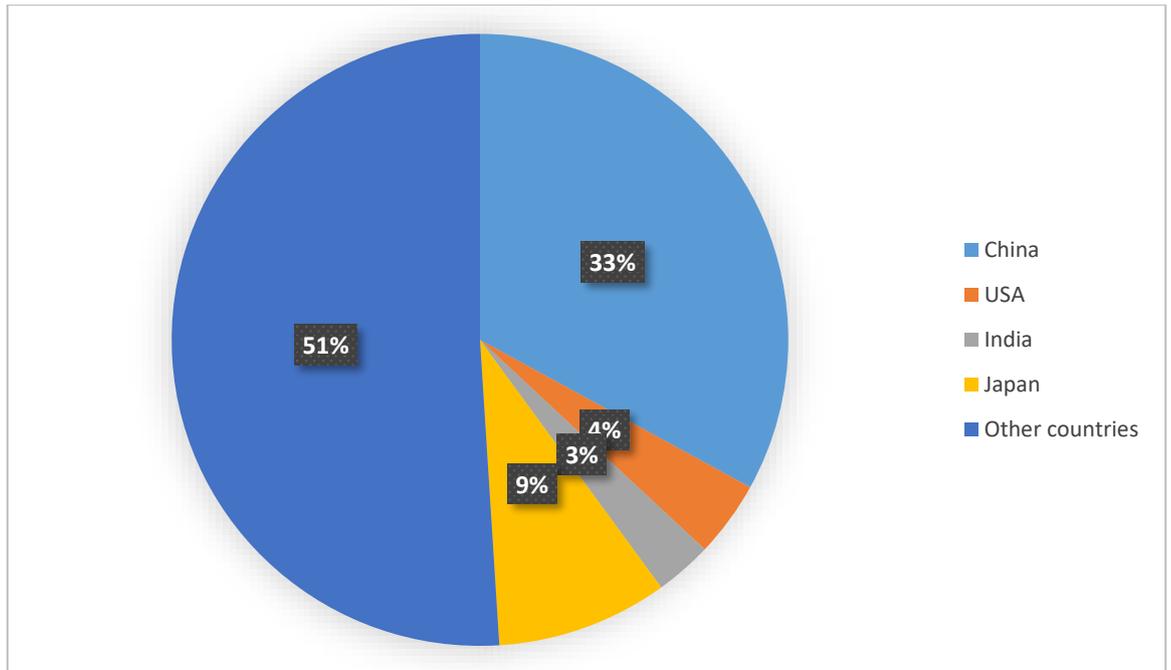


Figure 2.2 – Australia's export in 2019, billion US dollars

Source: International Cargo Express | 2021

2.2 The impact of foreign trade on the development of the Australian economy

Foreign trade is central to the Australian economy. With a population of 20 million, the country exports about 70% of its agricultural products, about 80% of its minerals, and over 18% of its processed industrial goods. The service sector provides more than \$ 34 billion in export earnings.

The structure of Australia's exports is characterized by a pronounced raw material orientation. The country successfully, even in difficult conditions on the world market, successfully relied on the raw material nature of its exports, successfully finding new and expanding old sources of sales. This is evidence that the commodity predestination of exports is not something harmful for the country, but, on the contrary, with the skillful use of raw materials, as the experience of Australia shows, can be a favorable basis for the successful development of the

economy as a whole and the achievement of a high standard of living for the population.

Foreign trade increases the standard of living of the population. In fact, each of the five jobs in the country is directly or indirectly related to exports. In regional Australia, this attachment to exports is even higher. Here, every fourth employee depends on it.

Exports and export industries account for about 20% of Australia's GDP, and it was exports that helped the country exceed the average economic growth of the group of developed countries.

In a highly competitive international environment and growing contradictions in the Asia-Pacific region, Australia is striving to achieve the role of a regional leader in the UTD. Relations with the member States of the Association of Southeast Asian Nations (ASEAN) and New Zealand, as well as positions in Oceania, are important here.

Australia claims to be a leading and strategic partner of ASEAN and its members in the areas of economy and development. Its trade turnover with the members of the association amounted to 56.3 billion US dollars in 2019, having decreased by 2.4 billion over 10 years. Australia ranks seventh in terms of imports and exports for the association among third countries. The parties are interested in developing a comprehensive regional economic partnership, a major free trade area in the region, which has been under negotiation since 2012. Australia is a member of the East Asia Summit, the ASEAN+8 Meeting of Defense Ministers. The parties have signed an agreement on strategic partnership, and summits at the level of heads of State and Government are held every two years. Today, in the dialogue with ASEAN, Australia positions itself as a driving force for “high-quality and comprehensive» trade and investment cooperation in the Asia-Pacific region.

Australia's main partners in ASEAN are Indonesia, Singapore, Malaysia, Thailand, Vietnam and the Philippines. A Comprehensive Economic Partnership Agreement, a Defense Cooperation Agreement, and an Intelligence Cooperation Agreement have been signed with Indonesia. The parties hold meetings of the

Defense and foreign ministers in the 2+2 format and dialogues of representatives of the armed forces at different levels.

Australia uses economic, political and military tools to influence the states of the UTR. The former include work within the Pacific Islands Forum, bilateral agreements with States, multilateral participation in humanitarian missions or police operations (for example, the police part of the Solomon Islands Regional Support Mission), educational programs, and the exchange of public administration experience. The second group includes financial assistance, investment, the Pacific Agreement on Close Economic Partnership plus, the Pacific Labor Scheme and other programs. The military instruments are based on the work of the FTO and the meetings of the Ministers of Defense of the JUTR and are implemented in the Defense Cooperation Program, the Pacific Patrol Ship Program, intergovernmental agreements and multilateral military operations. However, Canberra's current approach to the UTR States is not effective enough. According to Australian researcher Joanna Wells, Australia is more of a regional partner than a regional power. She cites three reasons for this: the focus of local states on preserving sovereignty, Australia's lack of desire to gain influence, and the growing independence of the states of the region at a time of geopolitical changes.

If the first two factors are subjective, the third is actualized in the process of the US losing its position in the subregion and China's activation here. Today, Chinese capital plays a significant role in this area, displacing competitors from the United States and Australia. The provision of Chinese loans is accompanied by a mass migration of Chinese to the island states. Beijing initiates negotiations on strategic partnership and military cooperation. The increase in Chinese diasporas and businesses may push the PRC to ensure the safety of its citizens, as demonstrated by the examples of evacuations in the Solomon Islands, East Timor and Tonga, which will lead to another attempt to gain a foothold in the region. Australia itself faces a similar challenge.

Today, the Asia-Pacific region in general and the ITR in particular are a zone of political turbulence, high economic dynamics and potential military conflicts. In

the context of the growing geopolitical confrontation between the key powers of the region, which include the two economically strongest states in the world, Australia is forced to change its foreign policy strategy and security and defense policy. The focus on intraregional transformation has a negative impact on its global status as a middle power. In a 2014 article by A. Carr formulated the following definition of the middle power: this is a state that is able to independently provide its own defense, but does not have sufficient opportunities to force other states; it is able to shape individual parts of the system of international relations in such a way that they meet its interests, but not the entire structure of world politics. The conclusion about the decline in the status of Australia as an actor in international relations, made in the above-mentioned study of the author in 2019, suggests that Australia's capabilities have changed significantly.

At the same time, in the region, Australia demonstrates all the models of foreign policy behavior of the middle power described in the first section of this article. The main threat to Australia is China. Its military alliances with the United States, New Zealand, and Great Britain were a manifestation of overbalancing. Participation in the Quad, the relationship with ASEAN is China's balancing act. Australia demonstrates its strategic partnership with both the United States and the People's Republic of China. The quintessence of this policy can be called the «Kovari» exercises on its territory with the participation of both great powers. The policy in the UTD can be described as unbalanced, since Australia cannot cope with the role of a sub-regional leader without the support of the United States.

The increased competition in the Indo-Pacific region requires the concentration of Australian regional foreign policy efforts at the expense of global ties. However, this approach is organic for Australia: throughout its history, its global influence was built mainly on the support of the great powers - first Great Britain, then the United States. With the weakening of the US position in the IT industry and the strengthening of China, Australia is likely to lose some of its influence in the world. At the same time, it will gain additional opportunities in the IT sector, acting – from time to time – as a neutral power, a consistent partner, a

loyal ally, a driver of economic development, and an initiator of multilateral political interaction. In any case, today Australia remains, by most criteria, a medium-sized power with a foreign policy model and strategy that corresponds to this status.

2.3 Assessment of the investment attractiveness of Australia for foreign investors

Australia is rich in resources, has a highly skilled workforce and has an internationally innovative appeal. To make the most of these benefits, Australia needs international capital in addition to domestic savings. Foreign investment helps Australia achieve its economic potential by providing capital to finance new industries and expand existing industries, expand infrastructure, increase productivity and expand employment opportunities.

Australia has always been attractive to foreign investors. The country not only attracts foreigners with its beautiful nature and magnificent landscapes, but also with its economic climate. The close location of the state to South Asia and incredibly rich natural resources have allowed Australia to become one of the world's economic leaders in a fairly short historical period.

Higher growth, fueled by foreign investment, pays dividends to all Australians by increasing federal and state tax revenues and increasing funds that can be spent on hospitals, schools, roads and other basic services. Foreign investment has other advantages besides the introduction of new capital.

By attracting new businesses with connections in different markets, this opens up additional export opportunities, increasing overall export productivity. It also stimulates competition and increases innovation by bringing new technologies and services to the Australian market. According to the global competitiveness rating 2016 - 2017, a report issued by the World Economic Forum, Australia is ranked 22nd out of 138 countries in the global ranking of countries in terms of investment attractiveness and economic stability.

According to the report, the benefits of the Australian economy are:

- the effectiveness of the institutions;

- infrastructure;
- macroeconomic situation;
- health care and primary education.

The competitiveness indicator is negatively affected by low indicators of such criteria as business experience and the level of innovation. In the Doing business ranking, Australia is in 15th place after New Zealand, Singapore, Hong Kong (SAR of China), the Republic of Korea and Taiwan from the Asia-Pacific countries. Australia's location provides an advantage in two ways — through strong geographic, trade and cultural ties to the fast-growing Indo-Pacific region, and by providing a 24-hour bridge between the world's major time zones in Europe, Asia, the Americas.

Australia's strategically located ports, well-planned rail, road transport networks and efficient logistics networks have been designed with the business in mind. To ensure that foreign investment proposals are in Australia's national interest, the government reviews foreign investment proposals on a case-by-case basis through the Foreign Investment Review Board (FIRB).

The Council reviews significant foreign investment applications that fall within the scope of Australia's Foreign Investment Policy and the Foreign Acquisitions and Acquisitions Act 1975, and makes recommendations to the government on these proposals. The review system allows the government to take into account the community's interests in foreign ownership of certain assets when assessing Australia's national interests. The National Interest Test also recognizes the importance of the Australian market system, in which companies respond to shareholders and where investment and sales decisions are driven by market factors rather than external strategic or non-commercial considerations.

At the end of 2015, total investment flows were \$ 424 billion, including \$ 348 billion in domestic savings and \$ 76 billion in foreign investment. The total value (share) of foreign investment in Australia at the end of 2015 was 3.0 trillion. US dollars. The United States and the United Kingdom are the two largest sources of investment in Australia, ahead of Belgium, Japan and Singapore. Chinese and

Indian investment in Australia has grown since 2005, reaching \$ 75 billion and \$ 12 billion respectively at the end of 2015.

Australian companies are significant global investors, with the total value of outward investment from Australia at the end of 2015 at \$ 2.1 trillion. Among the sectors of the economy that are most attractive for FDI, the leaders are the exploration and production of natural resources - the share of this sector amounted to 40%, and the most popular spheres are manufacturing enterprises (12%), real estate (9%), financial and insurance sectors (8%) ... The United States and the United Kingdom are the two largest foreign investment destinations, worth \$ 594 billion. USA and 353 billion dollars. USA respectively.

Australia's external investment in major Asian countries (China, India, Hong Kong (SAR of China), Japan, Republic of Korea, Taiwan and all ASEAN countries) increased from \$ 70 billion in 2005 to \$ 346 billion in 2015 year. The Australian government is working to support Australian investors and their investments in other countries, including international efforts to promote a more predictable and transparent investment and regulatory environment that is more conducive to cross-border investment flows.

The OECD expert report showed that investment inflows will increase significantly if Australia reduces restrictions on admission of foreign investment to the level of the UK. In assessing the impact of the Australian-United States Bilateral Trade Agreement (AUSFTA), other scholars have also concluded that the potential impact of such regulation and the liberalization of the Australian investment regime has been significantly positive. Raising the threshold for mandatory notification of investment projects to American investors allowed not only to reduce costs, but also the level of risk premium for companies planning to invest in the Australian economy.

According to the Kearney FDI Confidence Index, Australia takes a fairly high position - 9th in 2017. This survey is compiled through a survey of CEOs of the largest companies, which account for 75% of foreign direct investment in the world, which indicates a high level of trust from corporations and the business

community, both in the national economy and in the existing legal environment. The UNCTAD World Investment Prospects Survey also notes Australia's high level of attractiveness to foreign investors. The specialists of this organization give Australia the 10th place in the world ranking and the 4th place among the developed countries.

The Heritage Foundation Investment Freedom index ranked Australia among the group of countries with the most favorable and free conditions for foreign investors, ranking it 5th after Singapore, New Zealand and Hong Kong. Overall, these indicators indicate a fairly favorable investment climate in Australia, but they indicate that there is room for improvement.

In addition to internal regulatory legal acts, the international obligations of the state have a significant impact on the situation related to the admission of foreign investments. For this reason, this part will attempt to analyze some of the existing multilateral regulatory measures. First of all, these are two main organizations that have the ability to regulate the investment regime - the OECD and the WTO, as well as agreements on a free trade zone. In addition to domestic regulations regulating the admission of foreign investments, states, international associations and organizations also have a great influence.

The admission of foreign investment within the OECD is governed by three main regulations: the OECD Declaration on International Investment and Multinational Enterprises and the principle of national treatment; The Code of Liberalization of Current Invisible Operations and The Code of Liberalization of Capital Movements. Each of the above documents contains exceptions that allow taking into account the national characteristics of each state.

With regard to direct investment, the exemptions from the National Declaration Regime are almost the same as those contained in the liberalization codes. The instrument of national treatment consists of an official confirmation of the granting of national treatment for foreign companies participating in the declaration, which is contained in the Declaration, as well as procedural decisions of the OECD Council, which fix exemptions from the National Treatment. Australia

has compiled a list of observations regarding the application of the Foreign takeovers and acquisitions act 1975.

Thus, according to the latest approved list of exemptions, national most favored nation treatment does not apply to foreign investors, who are required to notify the competent authorities if the total investment exceeds US \$ 10 million. In addition, mandatory notice requires the application to be applied to a share in an Australian company whose assets are more than USD 100 million (thresholds will be indexed annually, and for US investors this limit will be higher).

Acquisitions of non-residential property for more than \$ 50 million are generally excluded (for culturally significant properties, the threshold is \$ 5 million). In other cases, foreign investors are required to obtain permission for any type of real estate transactions. For air travel, domestic flights must be operated by companies registered in Australia. Foreign investors are eligible to acquire up to 100% of Australian air carriers, if the transaction does not contradict the criterion of national interest.

With regard to restrictions on foreign investment in telecommunications, the exemptions from the National Regime are exactly the same as Australian legislation: the restriction on the total amount of foreign ownership in Qantas; restrictions on the size of the share of one person; restrictions on foreign ownership of airports. It also stipulates that the total foreign ownership in Telstra cannot exceed 35%, with a limit of 5% for individual shares for individual investors, and the Australian government must own 50.1% of the voting shares in this company.

In addition to the above benefits, the Australian authorities have made certain reservations regarding regional restrictions: In Victoria, the total foreign ownership of TABCORP Holdings Limited cannot exceed 40% (2.5% for individual shares). In the state of Western Australia, agricultural land use is only subject to prior authorization. The share of foreign ownership in gambling companies is limited to 40%. In Australia, foreign investors can own up to 20% of the capital in lobster processing plants; pearl production licenses are issued exclusively to Australian citizens or companies registered in that state.

In addition to the restrictions already mentioned, the Liberalization Codes add a number of clauses related to specific sectors of the economy. Similar clauses apply to the process of creating or expanding an existing enterprise, obtaining absolute control over the enterprise, participating in the formation of a newly created enterprise, providing a loan for a period of 5 years or more is an investment in the banking sector, the activities of which are regulated by the Banking Act 1959), the Law on the Financial Sphere (Joint Stock Companies) 1998) and Banking Policy. In addition, clauses are used for uranium mining (expansion or creation of an existing enterprise, gaining complete control over the enterprise, granting a loan for five years or more, participation in the creation of a new enterprise).

The industry is governed by the Mining Act 1992 and the Environment Protection and Biodiversity Conservation Act 1999, which requires prior approval from the relevant authorities. In addition, there are reservations to the provisions of Australian law that do not allow direct foreign subsidiaries to operate in the field of life insurance; the placement of the issuer's bearer securities with foreign central banks, foreign governments or public entities in the Australian market, and in relation to borrowings from these objects in the Australian capital markets.

Within the WTO, the regulation of foreign investment admission is less pronounced and occurs mainly within the framework of two documents: GATS and TRIMS. The main subject of GATS regulation is trade in services, the admission of investments is regulated in this document, only indirectly. This is due to the fact that one of the ways of providing the service is through commercial representation. The presence of "commercial representation" in the list of modes of delivery of services in practice is an obligation to open certain sectors of the economy, for example, banking and insurance, to foreign investors. TRIMS (Agreement on Trade-Related Investment Measures), as the name suggests, is more about investment regulation.

However, this agreement does not contain a clear definition of investment measures related to trade, only the appendix provides a list of measures that negatively affect international trade: the introduction of obligations for foreign companies to purchase goods from domestic producers, as well as quantitative

restrictions for foreign companies on imports. ... Also within the framework of TRIMS is the obligation of the parties to apply national treatment and a ban on quantitative restrictions.

The main investors in Australia in 2018 were, of course, the United States. The second place in terms of foreign direct investment is the UK, followed by Belgium, Japan and Hong Kong. The total amount of attracted foreign investment in Australia in 2018 amounted to USD 62 billion. Despite a slowdown in economic growth in Australia in 2019, the economy began to recover in 2020.

Australia's liberal laws and openness to foreign investment ranked the country 18th out of 190 countries in the world for ease of doing business in 2019. In 2020, four main industries have become the most attractive economic sectors in Australia for foreign investors.

1. Mining industry in Australia. Many economists attribute the sustained recession in Australia's global financial crisis in part to the country's mining boom. At the moment, this sector remains the largest in terms of the number of companies: more than 700 firms are engaged in mining, exploration and development.

Almost 6% of companies from the total number of all operating enterprises in the industry are owned by foreigners. In 2018, the Australian mining sector collected 38% of the total value of FDI. This means that foreign investors have invested \$ 366 billion in Australian stock mining.

Australia is one of the world leaders in the extraction and export of natural resources, ranking fourth in terms of the volume of the mining industry after Russia, China and the United States. The country mines coal, iron ore, tungsten and lead ores, as well as manganese and zinc. All these minerals are exported in the form of raw materials to different countries of the world.

For example, the bulk of the world's lithium reserves are located just in Australia. Considering that lithium is used in the production of smartphones and electric vehicles, there is a lot of business interest in Australia. At the same time, Australia itself lacks the capacity in the oil refining industry to go into the electromechanical production of lithium battery cells.

Economic experts argue that if Australia started producing batteries in its country, it would not only create about 100,000 jobs, but also generate profits in excess of US \$ 50 billion.

2. Industrial production in Australia. Australian industry has a wide variety of industries. In cities such as: Newcastle, Port Kembla and Wollongong - this is the east of the country, there are large metallurgical plants, including all stages of processing non-ferrous and ferrous metals, with a full cycle of the production process. All major cities of the country have engineering plants for the production of agricultural machinery, railway locomotives, engines for aircraft and cars, as well as electrical equipment.

Chemical plants in Australia, which produce a wide range of products, are located near coal mining areas and cities near seaports that receive crude oil tankers. Australia is also known for its food industry, as it is one of the main suppliers of food to Asia. The main export goods are: wheat, flour, sugar, meat, dairy and canned products, as well as fruits, vegetables and tobacco.

All of the above industries are gradually introducing modern technologies and moving to more specialized products. Applying innovation to technology development requires highly skilled personnel and investment. So, at the end of 2018, foreign investment in industrial production in Australia exceeded 107.7 billion Australian dollars (736.7 billion USD), which amounted to 11.1% of the total investment received by the country.

Research, automation, new materials and technologies, and the availability of an educated workforce are driving the development of industrial manufacturing in Australia. In this regard, such well-known large companies as Toyota, Boeing and Siemens have established their main production here. The Australian manufacturing sector has a number of unclaimed niches that foreign investors can successfully fill and develop, using rich natural resources and the country's proximity to Asian markets.

3. The real estate sector in Australia. Australian real estate can act as a reliable option for international asset diversification in the long term. Real estate in

the country can generate both passive income when renting an apartment or house for rent, or be a good asset that grows in value over time.

Due to the increase in population growth and the influx of emigrants, the demand for new housing, as well as for commercial real estate, is increasing in large cities of Australia. As a result, the construction industry grew by 11% and, as market experts predict, will continue to grow over the next five years.

The state of New South Wales alone is planning a huge number of infrastructure projects, including housing estates, hospitals, schools, shopping centers and restaurants. USD 72.7 billion will be invested in the implementation of these projects. Also, in the period from 2020 to 2028, the Australian government intends to invest \$ 58.9 billion in the development of transport infrastructure.

Since 2018, the Australian property market has been on the upswing and showing positive growth. Market experts predict that in 2020-2021 there will most likely be an increase in real estate prices, thanks to budgetary incentives for the provision of mortgage loans.

Also, the growth in real estate prices in 2020 will be influenced by the factor of lower interest rates and the weakening of credit restrictions by the Central Bank, which in the second half of 2019 has already twice reduced the base interest rate to 1%. Recently, credit conditions have become more competitive, and borrowers, for their part, are more open to small loans. In addition, the number of mortgage loans is increasing, where lenders are trying to offer borrowers more favorable terms.

Sydney and Melbourne remain the leaders in the Australian real estate market. According to experts, in 2021 the value of real estate in Sydney may grow from 10% to 14%, and in Melbourne from 11% to 15%. Meanwhile, the demand for office real estate and warehouse space is growing. A total of US \$ 3.17 billion has been invested to address the shortage of commercial property offers in Sydney and Melbourne. Rising industrial land prices in Sydney and Melbourne will also stimulate the development of multi-storey warehouses in various areas of these cities.

As for the hotel sector, there is an increase in the influx of foreign tourists to the country due to the weakening of the Australian dollar. Experts believe that the growing attractiveness of tourists to Australia will stimulate investment in the tourism industry and contribute to the emergence of new hotel complexes. In 2018 alone, investors from Singapore, Malaysia, Hong Kong, the United Kingdom and the Middle East have poured huge capital into the Australian tourism industry, amounting to 2/3 of the country's total investment.

4. Wholesale and retail trade in Australia. Investors intending to work in the Australian retail market should also pay attention to the service sector, especially in the catering segment. Due to the increase in the influx of tourists into the country and the filling of hotel rooms, the demand for fast food outlets, cafes and restaurants is growing. More and more Australian consumers are willing to spend money on a more comfortable stay in catering establishments.

Retail and wholesale trade in Australia grew by 4% in 2018, with an increase in sales for such product groups as apparel, footwear and accessories. This has been fueled by the growth of online retailing and an increase in jobs in the country. The industry is expected to grow by an average of 4% per year from 2019 to 2023.

The number of people who want to buy goods and products via the Internet is increasing every year. Therefore, a key success for investors in the wholesale and retail sector in Australia will be the development of a network of online stores with the ability to quickly serve customers. According to statistics, for the first half of 2019, 80.8% of Australians purchase goods online. Experts estimate that investments in Australian e-commerce will amount to USD 25.2 billion by 2021.

The e-commerce industry will continue to grow, but so will competition. To succeed in this industry and retain customers, online stores need to improve the quality of service and expand the service by introducing new technologies and mobile applications.

Factors that make Australia an attractive destination for foreign investment:

- a lively economy;
- highly qualified workforce;

- close relations with the countries of the rapidly growing Asia-Pacific region;
- stable political, legal and regulatory environment;
- a growing network of trade agreements that provide foreign investors with free access to Australian-made goods and services;
- a country with a low level of investment risk.

As the fourth largest economy in the dynamic Asia-Pacific region, Australia's competitive economy is set to expand further, creating significant opportunities for foreign investment in a low-risk environment. Australia has recently significantly simplified the rules governing foreign investment. Here are some of the major legislative changes.

The minimum threshold for investors (individuals) from countries with which Australia has trade relations has been increased from US \$ 266 million to US \$ 1.154 billion. Expanded the list of countries with which Australia has bilateral Free Trade Agreements that apply less stringent reporting requirements.

Despite the fact that no fundamental changes have been made to the regulatory framework of the legislation, the Foreign Investment Review Board of Australia will give priority to companies investing in the development of centers for the storage, protection and processing of data, as well as in the field of medicine and health care. Thus, the Australian government is trying to remove legal obstacles that prohibit certain classes of investments that may be valuable to the state.

CHAPTER 3

THE DEVELOPMENT AND WAYS OF IMPLEMENTATION OF AN INTERNATIONAL INVESTMENT PROJECT SOUVENIR SHOP 'IMPRESSIONS' IN AUSTRALIA.

3.1 Justification of the investment project - " Impressions"

Based on my analysis, I decided to open my own gift shop in Australia (Melbourne).

Melbourne is considered to be one of the major commercial, industrial and cultural centres in Australia. It is home to many of Australia's sporting and cultural events. The city hosts many annual cultural events and is home to many of Australia's largest museums and exhibitions. Tourism is a crucial part of Melbourne's economy. In 2004, 7.6 million Australian tourists and 1.88 million visitors from overseas visited the city. Thanks to many international sporting events, sports tourism is also a big part of the city's economy. Moreover, the list of local attractions is endless.

When considering my investment project, we must understand several points:

- The main idea of my investment project is to open a souvenir shop, the main product of which will be souvenirs. Tourists can not deny themselves in buying small things that will remind them of a well spent trip to Australia.
- The main purpose of my project is to sell various souvenirs.
- The project implementation period is about eight months.
- The source of investment is appropriate investment from investors.
- The currency of investment is American dollar.
- My main competitors are: David Jones, Original & Authentic Aboriginal Art.
- Although my competitors already have a clear brand identity and a proven track record, we are able to enter the market anyway. 1) we offer our customers a product that our competitors do not have 2) the number

of tourists is huge and we will find our customers anyway 3) we will actively promote our shop online using a marketer.

- As our shop is located in the heart of Australia, in the capital Melbourne, we can count on a large flow of people and focus on the VIP class and visiting tourists.

3.2 Calculations of the indicators used in the estimation of the investment attractiveness of the project to investors

Calculation of investment requirements

To implement the project of opening a souvenir shop "Impressions" in Melbourne (Australia), we will need investment funds for the following:

- opening a company,
- rent for 1 month,
- equipment,
- purchase of goods,
- advertising.

Table 3.1

No	Name	Amount, thing	The cost, USD	Amount, USD
1	Rent	1	2775,00	2775,00
2	Turnkey company registration	1	8000,00	8000,00
3	The first batch of goods	1	320760,00	320760,00
4	Equipment	1	1600,00	1600,00
5	Advertising	1	7200,00	7200,00
6			0,00	0,00
7			0,00	0,00
8			0,00	0,00
9			0,00	0,00
	TOTAL			340335,00

Table 3.2

Rent				
No	Name	S	Cost	Total, USD
1	Shop	15	185	2775
2				
	Total, monthly			2775

Notes:

1.* The rent already includes - Wi-Fi, printers, office furniture, telephone.

Calculation of running expenditures

Let's calculate the amount of monthly expenditures

To work in our store, we will hire: 1 administrator, 2 salesmen and 1 cleaner. To develop a marketing strategy and promote products on the Internet, we also need 1 marketer for permanent work.

Let's calculate the monthly salary costs. The total wage fund, taking into account the tax on salaries of employees (5.5%), will amount to 19,528 USD.

Table 3.3

Expenditures					
	Job position	Number of people	Wage, USD/month	Social contributions, USD/month	Total, USD/month
1	Office Manager	1	3860	212	4072
2	Seller	2	2900	319	6119
3	Cleaning lady	1	3150	173	3323
4	Business Marketing Manager	1	5700	314	6014
5					
	TOTAL payroll				19528

Source: (Salary in Australia in 2021, 2021).

Now let's calculate the monthly depreciation charges. Let's decide that the amortization period of the computer is 3 years, the depreciation method is uniform. Thus, the depreciation charge per month will be: 44 USD.

Table 3.4

Equipment				
No	Name	Amount, thig	The cost, USD	Amount, USD
1	Computer	1	1600,00	1600
2				0
	Total, USD			1600
	Monthly amortization			44

In addition to monthly salary and rent costs, you need to take into account utility bills, advertising costs, legal and accounting services, computer depreciation and other expenses.

Table 3.5

Expenditures, USD/month		
	Name	Total, USD/month
1	Salary	19528,00
2	Rent	2775,00
3	Communal payments	200,00
4	Depreciation of equipment	44,00
5	Monthly Ads	2000,00
6	Package of legal and accounting services	492,00
7	Other costs	200,00
8		0 0,00
	TOTAL/month	25239,00

Let's calculate the amount of annual expenditures for 3 years

Table 3.6

Expenditures, USD/year				
	Name	1	2	3
1	Salary	234336	238179	242538
2	Rent	33300	33846	34466
3	Communal payments	2400	2439	2484
4	Depreciation of equipment	528	537	546
5	Monthly Ads	24000	24394	24840
6	Package of legal and accounting services	5904	6001	6111
7	Other costs	2400	2439	2484
8		0	0	0
	TOTAL/year	302868	307835	313468

Estimated revenue

Let's calculate the estimated income that matches our sales forecast.

We plan to sell 4 types of souvenirs in our store, at the prices indicated in the table below.

Table 3.7

Basic products				
	Name of product	Purchase price	Price, USD	Extra charge
1	Decoration Opal – Premium	70,00	90,00	20,00
2	Australian wind pipe	270,00	310,00	40,00
3	UGG	150,00	180,00	30,00
4	Reusable Bamboo Coffee Cup	10,00	15,00	5,00

Let's make simple calculations and get: the volume of sales per month - 401530 USD, the volume of sales per year - 4818360 USD.

Table 3.8

Estimated revenue				
Name of product	Expected number of orders per month	Price, USD	Total per month	Total per year
Decoration Opal – Premium	2375	90,00	213750	2565000
Australian wind pipe	238	310,00	73780	885360
UGG	475	180,00	85500	1026000
Reusable Bamboo Coffee Cup	1900	15,00	28500	342000
Total			401530	4818360

Let's calculate the estimated income for 3 years.

Table 3.9

Estimated revenue			
Revenue of sale, USD	Year		
	1	2	3
Decoration Opal – Premium	2565000	2607066	2654775
Australian wind pipe	885360	899880	916348
UGG	1026000	1042826	1061910
Reusable Bamboo Coffee Cup	342000	347609	353970
Total	4818360	4897381	4987003

Net profit

Let's calculate variable costs.

Let's use the data (price and quantity) from Tables 7 and 8.

Table 3.10

Variable costs , USD / year				
	Name of product	Purchase price	Expected number of orders per month	Total, USD
1	Decoration Opal – Premium	70,00	2375	1995000
2	Australian wind pipe	270,00	238	771120
3	UGG	150,00	475	855000
4	Reusable Bamboo Coffee Cup	10,00	1900	228000
Total, USD				3849120

Variable costs per year will amount to 3849120 USD.

Calculate variable costs and the corresponding value added tax for 3 years.

We have to take into account that the value added tax in Australia is 10%. (Taxes in Australia, 2021)

Let's make preliminary calculations.

Table 3.11

Additional table, USD / year				
	Name of product	Extra charge	Expected number of orders per month	Total, USD
1	Decoration Opal – Premium	20,00	2375	570000
2	Australian wind pipe	40,00	238	114240
3	UGG	30,00	475	171000
4	Reusable Bamboo Coffee Cup	5,00	1900	114000
Total, USD				969240

We get the final table:

Table 3.12

Variable costs and Value added tax (10%) / 3 year				
	Name	1	2	3
1	Variable costs	3849120	3912246	3983840
2	Value added tax, 10%	96924	98514	100317

Let's calculate the net profit for three years.

When calculating, let's take into account that income tax in Australia is 30%.

Table 3.13

Investment effectiveness				
Indicators	Year			
	0	1	2	3
Investment, USD	340335			
Revenue of sale, USD		4818360	4897381	4987003
Variable costs, USD		3849120	3912246	3983840
Fixed costs, USD		302868	307835	313468
Profit before taxation, USD		666372	677300	689695
Value added tax 10%, USD		96924	98514	100317
Income tax 30%; USD		170834	173636	176813
Net Profit, USD		398614	405150	412565

Discount Rate

Let's calculate the Discount rate: $i = (1 + H_n) \times (1 + \pi) \times (1 + r_k) - 1$. (where i - discount rate, H_n - deposit rate for legal entities; π - inflation rate, r_k - risk adjustment)

Table 3.14

	2021	2022	2023
Discount Rate	0,1974	0,1963	0,1985
Discount Index	0,8351	0,6981	0,5825

Inflation		2021	2022	2023
		1,73	1,64	1,83
Risk	10			
<u>Deposit rate for legal entities</u>	7			

Calculation of indicators of economic efficiency of the project

To analyze the efficiency of investments, we will calculate and write down the necessary data in the table.

Table 3.15

Final calculations							
Period, years	Investments, USD	Net Profit, USD	Amortization, USD	Cash Flow, USD	Discont Index	Discounted value	
						Investments, USD	Cash Flow, USD
Base	340335				1	340335	
1		398614	528	399142	0,8351		333323
2		405150	537	405687	0,6981		283210
3		412565	546	413111	0,5825		240637
Total	340335	1216329	1611	1217940		340335	857171

To assess the effectiveness of the project, we will calculate the following indicators:

1. NPV – Net Present Value:

$$\underline{NPV = \sum_{k=1}^n P_k / (1 + i)^k - I}$$

2. PI - profitability index:

$$\underline{PI = [\sum_{k=1}^n P_k / (1 + i)^k] / I}$$

3. PP - payback period:

$$\underline{PP = I / P_k}$$

Table 3.16

Calculation of economic efficiency				
Period	Net Profit, USD	Discounted value		
0	-340335	-	NPV	516 836
1	398614	333323	PI	2,52
2	405150	283210	PP	0,8
3	412565	240637		

CONCLUSIONS

Australia belongs to the highly developed industrial capitalist countries. This unprecedented development has been based on Australia's vast natural resources. Moreover, constant foreign investment has contributed to the steady development of Australia's economy. Nor should we forget that Australia is also a country welcoming more than 44 million tourists each year.

Today, good economic and social policy helps to ensure stability and order in society, increase employment, control inflation, control currency fluctuations and attract foreign investors through transparent regulation, registration and management of enterprises.

On the other hand there are also some disadvantages, such as: demographic risk, risk of crisis due to coronavirus, risk of inability to meet strict standards for investors, risk of inability to develop due to high tax burden, etc.

With all these risks in mind, I have chosen the area that will be most successful given all kinds of risks. This is the service sector, namely the sale of souvenirs to tourists. I chose the city of Melbourne as my target audience is tourists. Melbourne is the city that is visited by the largest number of tourists. .

In the third part of this paper we looked at the project of launching an Impressions gift shop in Melbourne, Australia. Our shop will employ only inoculated staff, which will increase customer confidence and position the café among competitors.

After preliminary calculations of operating costs and expected profits, we assessed the efficiency of the project using various methods: the NPV (Net Present Value) method, the PI (profitability index) method and the PP (payback period) method for international projects. Based on the results of the calculations, we obtained the following values of important performance markers:

NPV > 0, i.e. the value of the company will increase

PI > 1, i.e. investment investments are effective

Pk - less than 10 months, the project will pay off in a short time

All indicators confirm the high efficiency of the proposed investment project. The project can be accepted.

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