

The need for oversight and the Foreign Investment Review Board

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December 2008

**AUSTRALIA'S
OPEN
INVESTMENT
FUTURE**



Are Australians Xenophobic about Foreign Investment ?

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Address to Institute of Public Affairs
Melbourne 4 December 2008

Foreign Investment Outcomes

- ABS Study 2000-01
- 7864 foreign affiliates
- \$65.9 billion in foreign investment
- 783,000 workers
- \$12.6 billion in Gross Fixed Capital Formation
- \$78 billion in Value Added.21% of total Value Added in Australia

Does this Sound and Look Like Xenophobia?

- The Foreign Investment Review Board has a record of saying “Yes” to foreign investment proposals .
- This hardly constitutes the track record of an authority with “an irrational fear or hatred of foreigners”

Let's Move From Assumptions to Empirical Evidence

- Review does not mean Restrict
- National Interest is a Valid Basis for Review
- Sovereign Funds
- Australia needs to ensure that Multinationals operate on a level Playing Field

A Level Playing Field

- Specific Issues Include :
- Transfer Pricing-Paying a Fair Share of Tax
- The common multinational practice of not allowing Australian affiliates to export
- Moving Value Adding offshore

Alan Greenspan

- In “The Age of Turbulence” Greenspan says:
- “Australia has always fascinated me as a microcosm of the United States in many ways”
- “I continually monitor Australia’s Current Account deficit which has persisted far longer than that of the United States with no significant macroeconomic impact than large increasing foreign ownership of Australian corporate assets.”
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Foreign Debt and the Current Account Deficit

- The Deficit has been continuous and growing for more than twenty years.
- The 2008 minerals bubble created small surpluses in two quarters. They wont continue.
- We owe \$615 billion mostly in US dollars.
- We can only reduce imports, increase exports or sell assets to reduce this deficit.

The National Interest

- What's wrong with Australia reviewing asset sales when they are substantial or strategic?
- All major industrial economies do the same thing. They are not as transparent as Australia in their processes.

Final Comments

- What do we know about the level of foreign ownership of Australian Assets now?
- The last ABS study was 2000-1. Individual Sector studies were mostly undertaken in the seventies and eighties
- It would be a good idea if the Rudd government initiated a study.
- I am more comfortable with facts than unsubstantiated opinions and assumptions.