AOIF Paper 6

Public attitudes toward foreign investment

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AUSTRALIA'S OPEN INVESTMENT FUTURE

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Australia has always been dependent on foreign investment to build infrastructure, develop industries and provide jobs. In the epicentre of a financial crisis and global economic uncertainty, it is vital Australia remains an attractive destination for foreign capital. But there is uncertainty about the regulatory system and whether it facilitates or blocks investment. The symposium will look at the Australian investment climate, motivations behind foreign investment, the players seeking to invest, their objectives and the barriers they face.

The Australian Open Investment Future papers series is designed to discuss the changing international foreign investment environment and what Australia needs to do to attract investment to promote economic growth. The papers series will be supported by a symposium on the 4th of December 2008 that will bring together Australian and international experts to discuss these important issues.

About the author

Tom Switzer *was senior adviser on international affairs to the former federal Leader of the Opposition, Dr Brendan Nelson. He was also the Opinion Editor of Australia's national daily broadsheet, The Australian, an editorial writer at the Australian Financial Review, and an assistant editor at the American Enterprise Institute in Washington DC. He has been published in numerous international newspapers and magazines, including the Wall Street Journal, The Spectator Australia, the International Herald Tribune, Qudrant magazine and the IPA Review.*

Public attitude towards foreign investment

Executive Summary

In the course of the past 25 years, Australian governments of both Labor and Coalition persuasions have opened up the economy to trade and foreign investment. Yet although the community appreciates the benefits of globalisation, the public remains deeply uneasy about foreign investment.

Indeed, attitudes towards foreign investment have been consistently wider than other mainstream public policy issues for an extended period of time. A close assessment of public opinion towards several intense national political issues over the past decade - the Iraq war, the republic, the apology, the death penalty and illegal immigration - suggests that foreign ownership stirs the community's emotions on a more consistent and long-term basis.

Australians are two-faced about foreign investment and globalisation more generally. On the one hand, poll trends show that a broad consensus of Australians is very uneasy, even hostile, about how much of the nation should be in the control of foreign investors: 90% of those polled say the federal government should ensure major Australian companies are kept in majority Australian control; and 85% say they either strongly agree or agree that investment by companies controlled by foreign governments should be more strictly regulated than investment by foreign private investors.

On the other hand, Australians recognise that foreign investment leads to job growth and wealth creation. When asked whether globalisation is good or bad for jobs, 79% said either very good or good; for consumers, 87% were positive. In other words, Australians sneer at the very foreign investment they know has been crucial to the nation's prosperity.

Australians are especially two-faced about Chinese foreign investment and economic growth: On the one hand, we are very uneasy about Chinese state-run companies that are increasingly investing in the Australian resources sector: 78% are opposed to a state-run company, bank or investment fund that bids for a controlling stake in a major local company. Yet 62% of Australians also think China's economic growth is a good thing because it underpins our growth cycle and may enable Australia to shield itself from the global financial crisis.

To be sure, Australian protectionist and anti-foreign investment attitudes have antecedents in the birth place of the nation in 1901. And it is true that public unease about foreign investment is by no means an Australian peculiarity - witness the US Congressional rejection of several much publicised Chinese and Arab takeover bids of US oil and port interests in recent years.

Nonetheless, the onus falls on Australia's political leaders and policy makers to try to bridge the divide between elite and public opinion by explaining more clearly the benefits of foreign investment. Ultimately, Australia is deeply meshed into the global economy. The nation has more to gain from relaxing barriers to foreign investment than from searching for hidden perils.

Introduction

Not many political issues stir the emotions in the way that foreign ownership does. It is a subject that provokes deep, visceral feelings of possession, solidarity and national identity. Indeed, compared with other intense political and public policy issues over the past decade – the Iraq war, the apology, the republic, the death penalty for terrorists after the Bali bombing, and illegal immigrants during the Tampa asylum-seeker stand-off – foreign ownership arguably produces the greatest degree of enmity in Australian society.

To be sure, the issue of foreign ownership does not generate enormous heat in the form of mass street protests and marches – as the Iraq war and Aboriginal reconciliation did in 2003 and 2000 respectively. But, as the public opinion polling and surveys consistently show, it nonetheless taps deep feelings of identity and violation. And, given that government policy has generally taken a different position in recent decades - namely a pro-foreign investment policy - it raises the question of whether public attitudes ultimately matter much.

Still, we have witnessed the emotive force of this issue in the reaction to Royal Dutch Shell's takeover bid of Woodside Petroleum in 2001; and we have witnessed it again this year, with Canberra's attempts to whip up spurious opposition to China Inc's plans to buy a direct shareholding in resources giant BHP-Billiton. Whether it was Kraft's decision to move jobs to low-cost India or Dick Smith's warnings about food icons falling into foreign hands, the message is consistently clear: Australians are very uneasy whenever a well-known local brand is sold to foreigners.

All the more remarkable, then, that a second thing that is true about foreign investment is that it has been a good thing for Australia, that its flow into the nation is a sign of economic strength, not weakness, and that so long as the political issue is framed in general terms of promoting economic growth and job creation, foreign investment is widely recognised as benefitting the broad cross-section of the community. Australians know they are deeply meshed into the global economy and that the nation is better for it.

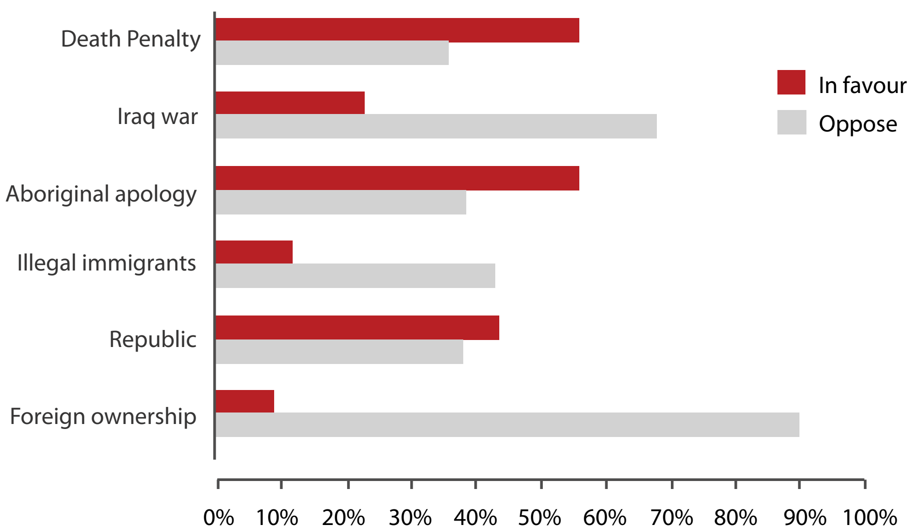
Foreign-owned Australian retail brands, according to public opinion polls, strike a raw nerve in the general community. But much foreign investment has also been aimed at the services sector and the largest share goes into our mineral assets. In particular, Chinese investment in Australia's resources sector has sky-rocketed during the past year or so and looks set to increase and so remain a source of public unease in coming years.

A wide gulf in public opinion

Perhaps no other political and public policy issue generates as much unease, even hostility, as foreign ownership does. Indeed, as Graph 1 shows, the gulf between elite and public opinion on foreign ownership is so wide that it is difficult to think of any other subject in the past decade that unites so many disparate Australians on such a consistent basis.[1]

Take the death penalty. Within ten months of the Bali bombing in 2002, Newspoll asked whether capital punishment should be introduced in Australia for those found guilty of committing major acts of terrorism: 56% sup-

Graph 1: What Issue Produces the Most Hostility in Australia?



Source: Compilation of Newspolls (1991-2008); Lowy Survey 2008.

ported the death penalty while 36% opposed; the result for the execution of the Bali bombers was 57% in favour versus 33% opposed.[2]

Take the Iraq war. The question that was repeatedly asked from mid-2002 to early 2007 was whether it was justified for Australia to be part of the Coalition invasion of Iraq. With the rare exception of Newspoll on April 1, 2003, most of the other polls showed overwhelming opposition to a unilateral (that is, non-UN-authorised) strike on Iraq before and after the March 2003 invasion. The last Newspoll shows that 23% favoured the invasion while 68% opposed.[3]

Take the Aboriginal apology. The nearby graph figures of 56% in favour versus 38% opposed are based on a calculated average of the February 2008 Newspoll in the week following the Prime Minister's formal apology (69% in favour versus 26% opposed) as well as the April 2000 Newspoll in the week leading up to the march across the Sydney Harbour Bridge (43% in favour versus 49% opposed).[4]

Take illegal immigrants. The nearby graph's figures of 12% in support versus 43% in opposition are based on a calculated average of the September 2001 Newspoll at the height of the Tampa asylum seeker stand-off (9% in favour of allowing all boats into Australia versus 50% opposed) as well as the August 2004 Newspoll (14% in favour versus 35% opposed). (The middle ground was to allow some boats in depending on the circumstances, and that number varied from 38% in 2001 to 47% in 2004.)[5]

Finally, there is the republic. Again, the nearby graph's figures of 44% in support versus 38% in opposition are based on a calculated average of 11 Newspolls from 1991 (34% in favour versus 52% opposed) to 2007 (45% in favour versus 36% opposed).

But however much these issues present wide gulfs of opinion, none compares to the deeper, more consistent and long-term, divide that is shown in any detailed assessment of public opinion attitudes towards foreign ownership. Simply put, it consistently rates as the issue that is mostly likely to galvanise the broad cross section of the Australian people. A series of surveys commissioned by Lowy Institute, Morgan and Newspoll as well as the Australian Survey of Social Attitudes and other groups demonstrate the community's consistently deep unease with globalisation, foreign ownership and free trade. In all the years of opinion polling on the subject, not one survey has shown any real support for foreign ownership.

Yet however much the Australian people exhibit interventionist sentiments, the irony is that protectionist and anti-foreign investment voices are rarely found in the newspapers' editorial and opinion page commentary. *The Australian Financial Review* and *The Australian* strongly support foreign ownership and free trade, although academic John Quiggin is a rare voice of dissent as is the veteran columnist Kenneth Davidson at *The Age*. Even the more populist, tabloid papers such as the *Daily Telegraph* in Sydney and the *Herald Sun* in Melbourne are rarely given to any Buy Australia First agendas or protectionist and anti-foreign ownership campaigns. True, in the lead up to the Howard government's decision to reject Shell's takeover bid of Woodside in April 2001, the *Herald Sun* and the *Daily Telegraph* editorialised against the foreign ownership deal.[6] But for the most part, the tabloid press remains a relatively disinterested observer of foreign investment deals – at least when it comes to general news and opinion page coverage.

Polling / survey data

Perhaps the most revealing poll on foreign investment in the past year has been the Lowy Institute's annual foreign policy survey, which was released in late September.[7] The results were overwhelmingly negative. Ninety per cent of those polled said the federal government has "a responsibility to ensure major Australian companies are kept in majority Australian control." According to the survey: "A majority of Australians oppose major foreign investments by companies, banks or investment funds controlled by governments – 78% oppose those controlled by the Chinese government." With respect to British foreign investment in Australia, 53% opposed while 43% supported; US: 63% opposed while 34% supported; Singapore: 70% opposed while 23% opposed; Japan: 72% opposed while 22% supported; and United Arab Emirates: 74% opposed while 17% supported. When it came to foreign investment into Australia, not one nation recorded a positive majority reading. Not one.

Australians also distinguished between foreign private investment here and investment by foreign government-controlled companies. The latter, according to the poll, requires tighter regulations. Eighty-five per cent of respondents said they either "strongly agree" (49%) or "agree" (36%) that "investment in Australia by companies controlled by foreign governments should be more strictly regulated than investment by foreign private investors."

Of course, polls showing widespread unease about foreign investment are hardly new. A few weeks before the 1996 federal election, for instance, Newspoll showed that 56% of voters believed the level of foreign investment in Australia was too high, 19% thought it was about right while only 7% considered it too low.[8] Interestingly, more coalition voters (62%) were more worried about foreign investment than Labor supporters (53%).[9]

Consider too, the response to the private equity bid for Qantas in 2007. Auspoll, an ACTU-commissioned poll in February that year, showed that 79% of voters in key Coalition-held marginal seats were opposed to the sale of the kangaroo carrier on the grounds that it could lead to job losses, lower safety standards and reduced services in regional Australia. Eighty per cent believed the Howard government was not doing enough to stop local businesses being sold overseas and jobs being lost offshore.[10]

According to the 2005 Australian Survey of Social Attitudes, which represented opinions of a broad sample of some 4300 adults, a large majority of Australians are anxious about the impact of multinational companies. Three quarters agree that "Large international companies are doing more and more damage to local business in Australia." Only 6% disagree.[11]

Two China views

China's spectacular economic rise and its burgeoning investment stake in local companies are generating considerable unease among the Australian people. Until 2007, according to Mark Thirlwell, Chinese investment in Australia accounted for less than $3.5 billion, not even half of 1% of total foreign investment. That is changing rapidly.[12]

With Beijing's leaders determined to plan for the minerals China needs to sustain its growth and so underwrite a massive boom in income for Australia, it is no wonder our government and business sectors are trying to find ways of encouraging more investment. After sending uncertain and confusing messages earlier this year, Treasurer Wayne Swan approved Chinese state-controlled company Chinalco to buy about a 12% stake in the UK-common stock of Rio Tinto. Meanwhile, the Foreign Investment Review Board has delayed the Chinese government-backed Sinosteel's bid to buy iron ore miner Murchison Metals. More Chinese investment bids in the resources sector are in the pipeline.

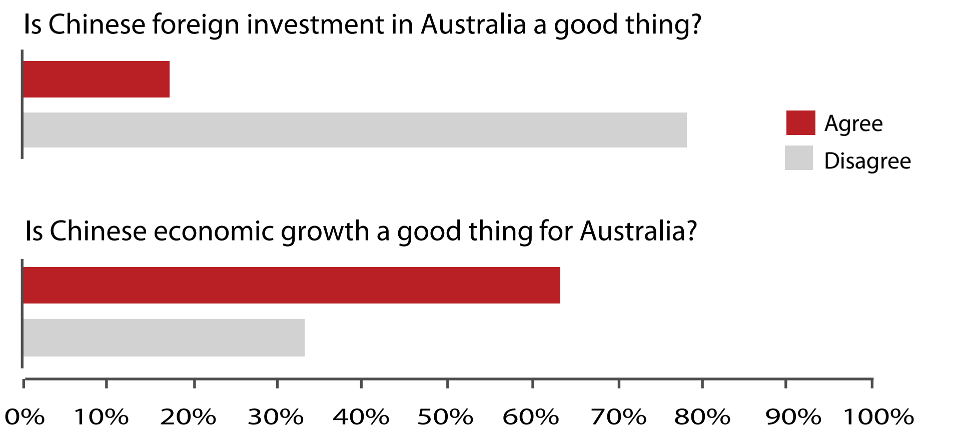
At the heart of the matter in any foreign investment deals with China lies the issue of foreign government-controlled companies. According to the Lowy poll, 85% believe such investment must be more strictly regulated than private foreign investment. And in the case of China, whose government remains a dictatorship, 78% of Australians are opposed to a state-run company, bank or investment fund that bids for a controlling stake in a major local company.

Interestingly, though, the Lowy poll also shows that 62% of Australians believe China's growth is good for Australia. The rapidly growing China is now Australia's largest merchandise trading partner, third largest services export market, largest source of overseas students and fifth largest tourism market. Rio Tinto's chief executive Tom Albanese recently pointed to the findings of an Access Economics study: without the improved terms of trade contributed by Chinese trade from 2001 to 2007, real post-tax wages in Australia would have dropped by more than 13% and unemployment would have dropped by more than 1 per cent.[13] From resources to consumer goods to technology and financial services, it is not surprising both nations have a strong common interest in deepening economic ties.

So two attitudes prevail here: on the one hand, Australians think the level of our exports that China's booming economy absorbs is a good thing because it could ensure our prosperity for years to come. On the other hand, however, we are also very uneasy about the consequences of China's economic rise and foreign investment deals in Australia. After all, China remains a communist one-party state and state-owned companies may still be subject to direction from Beijing bureaucrats.

In these circumstances, the onus falls on Australia's leaders to strike a balance between these concerns. Canberra should be vigilant about monitoring Chinese state-run investment bids, especially where issues of energy and resource security emerge. But as one of the first developed nations to confer "market economy" status on China, it should also recognise that Beijing is in the process of making a transition from communism to capitalism and that its state-run companies are becoming more independent.

Graph 2: Two China Views



Source: Lowy Institute Poll, 2008

Protecting local icons: The case study of Dick Smith

When the public debate gets bogged down in individual case studies, and the issue becomes one of protecting national icons, then it is even easier to detect a protectionist pulse in the wider Australian community. In March 2000, a Bulletin-Morgan poll showed that a majority of Australians in most statistical categories prefer to buy Australian-made items, although the appeal for local goods and services declined when the question was focused on Australian-made cars.[14] The poll showed that 61% of Australians try to buy locally made products whenever possible. Sixty-six per cent of grocery buyers said they'd aim to buy Australia-made groceries. When it came to buying a car, however, the number came to 54%. Older Australians admitted they were more likely to buy Australia first (50 years: 76%) than the young (18-24: 40%).

This published polling data in 2000 coincided with a feature article in The Bulletin magazine on the local business icon Dick Smith, who was launching a range of Australian food brands to compete directly with foreign-owned companies Vegemite, Rosella, Arnotts, and Aeroplane Jelly. Smith's widespread popularity at the time, according to the veteran Canberra journalist Fred Brenchley, was due largely to a "backlash, particularly in rural areas" against foreign investment and free trade. "Globaphobia still grabs at Australia's soul," he argued. "While both sides of politics in Canberra believe Australia has no option – indeed, can greatly benefit – from pushing the nation to the forefront of the borderless world created by free trade, footloose capital and technology, many Australians crave for the old days of walls to keep out trade and investment." [15]

The accompanying Morgan-Bulletin opinion poll showed that Smith was reflecting the conventional wisdom. An earlier Morgan-Bulletin poll, published in July 1999, revealed 80% of Australians – up 16 points since 1962 – believe import quotas should be imposed on clothing, footwear, textiles and cars. [16]

The Dick Smith campaign was illustrative of community sentiments, so it's worth taking a close look at how his company was marketing its products. His first product, a crunchy peanut butter, represented a full throttle attack on foreign investment. For one thing, there was a picture of Smith, with his trademark glasses and head thick of hair, under the headline "Genuine Australian Foods" that accompanied the label with an Australian flag and message: "Most Australians buy Kraft and eat peanut butter which are owned by the US cigarette giant Phillip Morris. That's why we're fighting back for our children's future with Dick Smith's genuine Australian products." A five-point test then awarded ticks for: "Highest quality; Proudly Australian made; Fully Australian owned; Taxes paid here; and Gives our Kids a Future."[17] The consumer response was overwhelmingly positive. Within two years, sales of Dick Smith-branded foods reached more than $150 million.[18]

Nor was Smith alone in tapping into populist sentiments. Golden Circle, a co-operative of 700 or so Australian farmers, used foreign ownership to its advantage. In 2001, for instance, its advertising slogan read "Give a damn about your jam".[19] It subsequently recorded increased sales, doubling its share of the jam market during the next financial year.

Again, there is no question that Smith reflected community concerns about the perils of foreign ownership of food icons, but the backlash was somewhat irrational. As Benchley pointed out, one of Smith's foreign competitors Kraft was employing some 1500 Australians at five manufacturing locations in three states. It had been based in Australia since the late 1920s and had remained a consistently big exporter of cheese products and Vegemite to up to 25 nations. In 2000, moreover, Kraft had just relocated its regional headquarters from Hong Kong to Melbourne and one of its three world-wide research centres on food products was also running out of Australia. Add to this that companies with more than 50 per cent foreign ownership were more likely to pay higher wages and export more than local ones, and it is clear that much of the backlash against foreign investment in the early part of this century was based more on emotion than evidence.[20]

In 2001 and 2002, several industry-sponsored studies showed that Australians "feel good" about buying Australian-made goods. Interestingly, though, they were not so concerned about the declining number of Australian-owned companies and brands. One Australian Made Campaign (AMC) study found that the primary motivators for buying products were price and quality.[21]

Still, so parochial are Australian attitudes that a case could be made that political leaders are compelled to criticise foreign ownership on the campaign trail. The Pulitzer-prize winning columnist Thomas Friedman recalls the protectionist spirit of the 1996 election campaign when the then-opposition leader John Howard slammed the Keating Labor government for creating, Friedman observed, a climate "in which Australia's most cherished companies were losing their national icons, indeed their very sovereignty and identity, to the global marketplace." As Friedman noted:

> [Howard] pointed to the fact that Arnott's Biscuits, which every Australian schoolchild grew up with, had been sold to a US company (Campbell's Soup, no less!), which would probably start tampering with its recipe for Iced Vo-vos Australia's most famous cookie, made of marshmallows and coconut. The same was true, Howard said, of Australia's famous Speedo bathing suits, which, he complained, had been sold to a US firm. What happened to Iced Vo-vos and Speedo bathing suits actually became a hot topic of one of the election debates. And these olive-tree-hugging arguments helped Howard defeat the Lexus-loving Keating in a landslide. [22]

Although Friedman overstated the case – Howard, after all, had been a long-time supporter of foreign investment and economic reform – the story shows how protectionist and anti-foreign investment sentiments can shape a heated political campaign.[23]

Paradox of Public Attitudes

Most clouds, to be sure, have a silver lining, and this one is no different. Although polls show great unease about foreign ownership, other data reveals that most Australians nevertheless believe they have become economically more secure, not less, by exposing themselves to the global economy. [24] As the *Australian Financial Review* has editorialised: "Putting aside risible appeals to sentiment about 'iconic' products, it would be hard to find any credible person who would say our quality of life is suffering because of foreign investment." [25]

Consider the 2004 Australian Election Survey. When asked whether globalisation is good or bad for jobs and strengthens the economy in poor nations, 79% said either very good or good. For consumers: 87% were positive; for Australian companies: 76.5% positive; for the Australian economy: 83%; Australian living standards: 84%; job creation in Australia: 64%. On the issue of job security for Australian workers, the picture is more mixed; 51% believe globalisation is a very good or good thing while 49% say bad or very bad.[26] But this is still a far cry from the more divergent views on the specific question of foreign ownership.

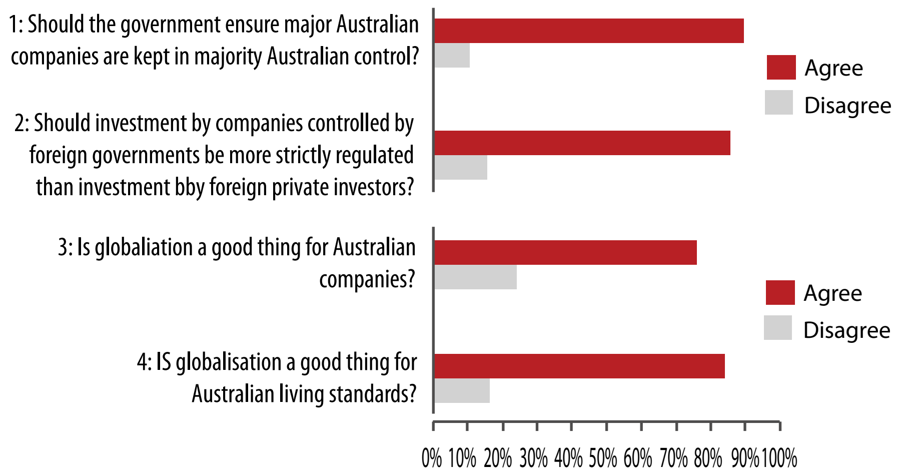
A Lowy survey in 2007 revealed that a majority of Australians think free trade is a good thing for the nation's well being. A whopping 84% either strongly agree or somewhat agree that free trade enables Australian business to open new markets for Australian products. Seventy-two per cent are optimistic that free trade leads to lower prices and more product choices for consumers. And 67% are confident that free trade helps to increase prosperity, both in Australia and other parts of the world.[27]

A Lowy survey in 2005 also reported a generally positive attitude about the impact of free markets. Asked whether globalisation has had a good or bad effect on Australian living standards, 66% said good. On the economy, 69% said good; and on the culture, 57% also said good. With respect to job security for the Australian worker, again, the message was more pessimistic, with 39% saying good, but 49% saying bad.[28]

What is one to make of all this? Well, apart from the fact that we are more easily disposed to investment from British multinationals than Chinese state-run companies and the fact that older generations are more resistant to foreign investment than the younger crowd, the available evidence suggests this: although a large majority of Australians are uneasy about foreign investment - indeed, as we have seen, more galvanised about foreign ownership than any other public policy issue - they nevertheless concede some benefits from close engagement with the global economy. In other words, Australians sneer at the very foreign investment they know has been crucial to the nation's prosperity.

Such contradictory views are consistent with public attitudes towards other aspects of the free-market policy agenda over the past 25 years. Andrew Norton, one of Australia's leading authorities on public attitudes towards economic reform, says that taken individually, none of the micro-economic reforms (save income tax cuts) on which there is extensive polling – import tariff cuts, industrial relations reform, privatisation – has been popular.[29] According to Norton, the major reason for the public's opposition to micro-economic reform, free trade and more liberal foreign ownership laws has been concern about the well-being of those negatively affected by change, particularly in the

Graph 3: Paradox of Public Attitudes about Foreign Investment



Sources: Lowy Institute Poll 2008; Australian Election Survey, 2004 case of job security. But the irony here is that Australia's unemployment rate has been at 30-plus-year record lows at around 4 per cent in recent years.[30]

The 2005 Australian Survey of Social Attitudes reveals that on the question of whether Australia should limit the import of foreign products in order to protect its national economy, 65% support and only 14% disagree. Many respondents believe economic openness threatens job security, but they also believe globalisation enhances consumer choices and leads to higher living standards: 49% agree that "Free trade leads to better products becoming available in Australia." Only 18% disagree. Again, just as in the case of public attitudes towards foreign investment, the polling here suggests that Australians hold paradoxical views on the global economy: they see the benefits, but still oppose closer global engagement. Support for high import restrictions fell from a high of 78% in 1995 to 65% in 2003. Yet Australians were more likely to support trade protectionism than citizens of any other of the 14 advanced economies asked in the survey, such as US, UK, Sweden, Germany, Norway, Japan, Holland, Spain and Austria. The consistent message is that Australia stands out as the population with the most protectionist attitudes among rich democracies surveyed.[31]

Historical and international attitudes

Of course, Australians have long held protectionist sentiments and our unease with foreign ownership is by no means a local peculiarity. Rex Connor is often identified with discredited economic nationalist polices, but the truth is a closed, insular economic outlook precedes the Whitlam era – and not just to the post-war days of Black Jack McEwen's industry protectionism and agrarian socialism, but to the very founding of the nation. Since federation in 1901, Australians had come to depend on the powers of central government to solve nearly all of the nation's problems: high import tariffs and large subsidies protected domestic profits; a heavily regulated workplace arbitration system guaranteed a large share of the protected pie for workers; and a restrictive immigration policy kept out competition from cheap Asian labour. By the early 1980s, Australia remained economically insular, weighed down by protectionism, over-regulation and chronic inflation. And it was not until the election of a Labor government in the mid-1980s that the reform agenda of tariff cuts, relaxed capital and investment flows and reduced union power was implemented.

Not surprisingly, old habits die hard, and every so often populist and protectionist sentiments resurface with a vengeance. The rise of Hansonism in the mid-to-late 1990s, for instance, had a great deal to do with the widespread perception in rural and regional parts of the nation that free markets and economic openness wreak havoc. It also coincided with a rising backlash against globalisation, culminating in the April 2001 decision of the Howard-Costello government to reject Shell's takeover of Woodside Petroleum. At the time, commercial talk-back radio led by popular broadcasters Alan Jones and Neil Mitchell in Sydney and Melbourne showed a high level of opposition to the takeover bid. The reasons were many: the Dutch firm should not have a hand in 90% of local gas projects and a big say in gas and oil exploration; more profits from the local projects would flow overseas; and taxpayers who had underwritten the skills behind Woodside's interests would see less returns.[32]

To be sure, the public unease about foreign ownership is by no means an Australian peculiarity. In the United States, Chinese and Arab interests - Cnooc Ltd (China's third largest oil company) that sought to acquire Unocal (America's ninth-largest oil company) in 2005, and the United Arab Emirates state-owned company Dubai Ports World that had planned to run commercial operations at six US ports in 2006 - were rejected to secure oil and ports operations.[33] And in France, even food and music are "protected" from foreign influences as a matter of national survival. In 2006, for instance, the French government blocked the sale of Groupe Danone, the yogurt maker, as contrary to France's national interest!

Conclusion

Polls show widespread unease about foreign ownership, especially when the source is Chinese state-run companies. Yet Australians also understand the benefits of foreign investment and free trade as well as the importance of robust Chinese economic growth. So long as specific case studies do not get sensationalised -- Dick Smith's advocacy of food icons, for instance, or Shell's campaign for Woodside petroleum in an election year -- then it is likely that takeover bids won't attract such controversy and hostility.

In the recent weeks, the Japanese Mitsui group has lifted its investment stake by $100 million in Australian uranium mining, and Britain's BG Group is making $5 billion-plus moves on Queensland Gas. All concerned are confident of gaining approval from the Foreign Investment Review Board. The fact that these bids have not generated much critical commentary in the media, much less a hysterical response in the general community, perhaps suggests that the public instinctively recognises that foreign investment can be a positive industry development even as they reject it so forthrightly to pollsters. Or perhaps the Japanese and British bids merely don't attract the same stigma as equivalent Chinese investments.

Nonetheless, faced with public unease about economic reform, the onus falls on the political class and policymakers to sell more effectively the benefits of foreign investment. How should they approach this issue? What sort of attitudes should they cultivate? What assumptions should they make? And what should they be careful to reject and avoid? Here are some suggestions:

- Point out that since the mid-1980s, the economic reform agenda of tax cuts, monetary stability and free trade has created a giant sucking sound of billions of dollars of foreign investment into Australia. Properly vetted, this investment often leads to domestic jobs and economic growth, and it has made an immense contribution to building our huge resources industry. Just think how the old Australia – the over-regulated, over-protected and inflation-prone Australia – would have coped with the Asian financial crisis of 1997-98, the US tech wreck of 2000-01 and the fallout from the US sub-prime mortgage collapse.
- Stress that foreigners are not buying up Australia's stock of wealth; they are investing in ways that add to it. If the deals are blocked, Australian shareholders could lose hundreds of millions of dollars in stock appreciation.
- Insist that globalisation goes both ways: Australia can't take advantage of it abroad and try to protect itself from it at home. Australian restrictions give foreign governments one more excuse to bar Australian investment in their nations. Remember, too, that Australian investment offshore has exceeded foreign investment in Australia for much of the past decade.
- Feel the pain of those Australians who are uneasy about foreign investment and disoriented about the pace of modernisation. But remind them that the same forces that have bred economic insecurity – the information age revolution and the spread of global capitalism – can't be stopped. A nation which pretends that the changes accommodating these irresistible forces can be ignored will become poorer and more despairing.
- Engage China. Of course, Chinese investment should face scrutiny, especially given that the lines between government and corporations are blurred. But by inviting the rising power into a web of free-market economic entanglements and giving it a stake in global commerce and prosperity, a Chinese middle class will eventually demand more political freedom. It will also enable the Chinese to use their clout and the dollars they accumulate from trade to bid up the value of Australian assets.
- Be aware that many influential thinkers from a wide range of political and ideological perspectives will say that globalisation might be very well for other nations but is inappropriate for Australia, because a free-market world view is fundamentally at odds with our history and national ethos. Treat this view respectfully, but reject it. Australia, after all, has long relied on foreign capital and expertise for its development: British investment in the 19th century; US and Japanese investment for the 20th century; and increasingly Chinese investment this century. In keeping faith with an economic reform agenda which includes relaxed foreign investment controls and low import tariffs, our leaders would be following a course that has served the nation well in the past, particularly during the past quarter century.

Endnotes

1. See Lyndon Rowe, "Odd Bedfellows," IPA Backgrounder, Spring 1998.
2. Newspoll, 19 August 2003.
3. Newspoll, 20 February 2007.
4. Newspolls, 4 June 2000 and 19 February 2008.
5. Newspolls 31 August 2001 and 20 August 2004.
6. see, for instance, "The great sell out", *Herald Sun*, March 9, 2001.
7. The Lowy Institute Poll 2008: Australia and the World Public opinion and Foreign Policy, compiled by Fergus Hanson.
8. Newspoll, in The Australian, 1 February 1996.
9. Newspoll, 21 January 1996.
10. see Michael Harvey, "Scrutiny on buyout," *Herald Sun*, February 5, 2007.
11. Ian Marsh, Gabrielle Meagher and Shaun Wilson 'Are Australians Open to Globalisation?' in *Australian Social Attitudes: The First Report*, UNSW Press, Sydney, 2005.
12. Mark Thirlwell, "Into the crisis, enter the dragon," *Herald Sun*, 6 October 2008.
13. Tom Albanese, address to the Melbourne Mining Club, October 2, 2008. "Rio chides Rudd over China," *The Australian,* October 3, 2008.
14. *Bulletin*-Morgan poll, Indigenous consumption, *The Bulletin*, March 7, 2000.
15. Fred Brenchley, "Hot air ballooning", *The Bulletin*, March 7, 2000 pp 30-31.
16. *Bulletin*-Morgan poll, Indigenous consumption, *The Bulletin*, March 7, 2000.
17. Fred Brenchley, "Hot air ballooning", *The Bulletin*, March 7, 2000 pp 30-31.
18. Simon Lloyd, "Green, gold and true blue," *BRW*, July 4-10, 2002.
19. Lloyd, *BRW*, July 4-10, 2002 p 47.
20. Australian Bureau of Statistics figures, quoted in Brenchley, *The Bulletin*.
21. Simon Lloyd, "Green, gold and true blue," *BRW*, July 4-10, 2002.
22. see Thomas Friedman's revised edition of *The Lexus and the Olive Tree: Understanding Globalisation (*Farrar, Straus and Giroux*, 2000)*
23. Interestingly, as James Paterson points out in "The politics of protection: America and Australia compared," *Policy* (Spring, 2008), although Australian voters show a stronger aversion to free trade than Americans, Australian politicians rarely indulge in protectionist spirit and are often reluctant to appeal to voters' worst fears about globalisation.
24. Internal Labor and Liberal polling also back these contradictory attitudes: that most Australians are very wary of foreign ownership and do not want to lose national icons, but they also realise that foreign investment is a good thing so long as it leads to economic growth and job creation.
25. Editorial: "Worldwide battle for capital and talent," *Australian Financial Review*, January 21, 2006.
26. Australian Election Survey 2004.
27. The Lowy Institute Poll, 2007.
28. Lowy Institute Poll, 2005.
29. According to an amalgam of Irving Saulwick poll 1991, the 1996-98 Australian Election Survey and the 2003 Australian Survey of Social Attitudes compiled by Andrew Norton, support for import tariffs to protect Australian industry has ranged from 75 per cent in 1991 to 55 per cent in 2005. This 20 per cent drop is a notable decline in 15 years, yet support for protection remains stubbornly high, especially given that import tariffs have been slashed dramatically during the past 35 years.)
30. see, for instance, Andrew Norton, "The politics of protection", *Policy*, Winter 2004.
31. Ian Marsh, Gabrielle Meagher and Shaun Wilson 'Are Australians Open to Globalisation?' in *Australian Social Attitudes: The First Report*, UNSW Press, Sydney, 2005.
32. see Rehame/Media Monitoring public opinion sampling from talk back programs on Sydney Radio 2UE and Melbourne Radio 3AW in March-April 2001.
33. It is worth noting, however, that Chinese sovereign wealth funds have poured billions of equity into Wall Street investment funds Morgan Stanley, Merrill Lynch and Citigroup, which were in desperate need for liquidity following the sub-prime mortgage collapse in September 2007.