

Senate Economic Committee: Foreign Investment Review Framework

Dear Committee Members, The following essay deals with fundamental issues pertaining to the Australian economy.

The *underlying issue* about foreign investment is whether it can operate as an overall benefit for the Australian economy in terms of creating jobs and economic growth/sustainability; whether foreign concerns can be trusted to put the interests of our country first; or whether we will be subject to 'international forces' so that our economy can be sold out from under us when times get tough (or for greater profits, at the expense of jobs).

With the departure of overseas car manufacturers, a situation that has sold out Australian workers for increased profits in low income markets, we can see that *unqualified* foreign ownership of our industry and assets does not necessarily benefit the Government.

Lost jobs and industry means a loss of Government revenue through lost taxation – which means less money for hospitals, education, roads, defence, and other publicly funded services. Control of economic activity within our sovereign borders is essential.

While foreign capital and expertise is desirable in many circumstances we must remember that this be undertaken on *our terms* for the benefit of both parties (the sovereign state and the foreign entity).

If large scale foreign 'investment' is necessary, we must establish rules so that this can only be done via partnerships with Australian based entities. The problem with unregulated foreign ownership is that it can allow the unrestricted siphoning of profits into the foreign entity where after the capital may be fully reinvested overseas. The foreign entity may use its acquired position/capital to import low income workers and material for new projects that does not substantially benefit Australian workers or industry. While competition is desirable - to keep costs down and for improving quality and efficiency - profiteering via outsourcing can undermine the internal productive activity of a country in a global marketplace, where countries have unequal standards-of-living and worker incomes. (For more on the issue of outsourcing, that also applies to Australian-based companies, see the attached letter following this essay).

We must understand that the world is not a level playing field.

Other countries (Governments working with industry) have taken measures to protect their domestic economies. A range of restrictions (arbitrary excuses) prevents an influx of foreign made cars into various countries in Asia, such as Japan or Korea, and there are restrictions on many other kinds of imports despite living in a globalised 'free trading' environment. Such measures are only logical to preserve internal production within these countries.

Therefore, when it comes to investment policy there must always be a bias towards our own self interest so that money is circulated within, and reinvested into, our country.

On the issue of foreign investment in the Australian housing market, a critical portion of such 'investment' is simply asset acquisition by wealthy foreigners who are 'competing' with our own citizens and driving up property prices. Having an open property market, that is not properly

policed, places the ordinary Australian home buyer in direct competition with tens of millions of foreigners. This situation is unfair and should not be allowed. Unless you live in our country there should be harsh penalties (and vigorous enforcement) of those that would drive up prices.

This ends my concerns about foreign investment. Below is a letter sent the Prime Minister (which was forwarded to the Treasurer) dealing with the problem of outsourcing. When it comes to controlling the Australian economy, and managing revenue, outsourcing is perhaps an even more important matter than the issue of foreign ownership – although both are important issues:

Thanks for your attention,

Steve Weathers (Jan 24, 2016)

Letter to the PM:

Control of the Australian Economy and Industry

Dear Prime Minister,

The power to control what happens to our economy rests upon simple decision making. We ('the Government') can decide what sort of industries should be retained (within reason) and what sort of controls are placed against outsourcing, in order to avoid the US model in which there are not enough jobs available for the general population.

Over the last few decades US industry exported, largely to China and Mexico, its productive base, in the interests of garnering ever increasing profits (which is excused by invoking the 'uncompetitive industry' meme). What we saw was an example of capital chasing after cheap labour at the expense of domestic jobs. The loss of these jobs undermined the US taxation base, caused a huge trade imbalance and has thrown vast numbers of the population into poverty that causes a further financial burden on the economy. Australia must look at the US situation and learn from this mistake.

Two points about the present state of the US economy.

1. Their real unemployment rate is not 5%. According to the more accurate official U6 figures the unemployment level is at least 9.6%. Independent analysts, from sites like Shadowstats.com, show the US unemployment rate is closer to 20% if calculated using 1990s methods.

2. The rise in the US stock market is not reflective of the wider US economy. It is a product of financial engineering with central banks (including the Swiss central bank and Wall Street proxies acting on behalf of the Fed) buying key stocks that have boosted the Dow Jones to record levels.

Money printing and financial gaming is not 'the economy'. Finance is supposed to support productive activity. Today we see that finance has largely replaced real productive activity - at least in large sections of Western economies.

To enable a truly vibrant economy, multiple levels of activity and innovation need to be encouraged and kept operational within sovereign borders. Various industries should not be sold out from under sovereign control. To fully understand the issue I urge you to either read Dr Paul Craig Roberts' book 'The Failure of Laissez Faire Capitalism', or watch the following interview with Roberts by the Henry George School of Social Science (<https://www.youtube.com/watch?v=vRw3HeTCLFc>), in which he explains the decline of the US economy.

Understanding what happened to the US is vital.

Prime Minister, with this in mind I ask that yourself, and Cabinet (after they are briefed on the above material), reconsider the decision to no longer support the Australian car industry. The damage to employment, by many estimates, will exceed 100,000 jobs, perhaps double.

We have been told that our car industry is 'not competitive', but does this simply mean that the automakers are taking the opportunity to offshore production to increase their profit margins?

What we do know for a fact is that there is no level playing field when it comes to manufacturing. Foreign Governments support domestic production and past Australian Governments were wise to do the same. Ideally, it would be good if an Australian-based company produced cars or alternatively, if the existing manufacturing plants were purchased by sovereign interests.

If we do nothing we will simply be victims of this wealth destroying process. Push the situation to an extreme, where you ask, is it beneficial to 'outsource all production to increase profits?' The answer is obviously no. A large section of the population without jobs won't be able to buy anything, even at reduced prices. Therefore you must take action and decide at what point to impose outsourcing restrictions.

Losing our car manufacturing capability will certainly be a disaster. The idea that new industries and jobs will arise is a fantasy. This did not happen in the US and it will not occur here. What we will get is an increased trade imbalance.

The idea of 'free trade' originally was for fair trade. 'Like' for 'like' trading. Please keep that in mind.

Prime Minister, the aim of the Government, is to serve the interests of the people at large, providing stability, and in regard to the general economy, to grow and/or retain wealth within the sovereign borders of the country. Please take seriously the information and argument I offered here in good faith.

Sincerely

Steve Weathers