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Additional Support Committee
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Submission to the Senate Economics Committee on Foreign Investment Review Framework

ANZ is pleased to provide a submission to the Senate Economics Committee Inquiry into the Foreign Investment Review Framework.

We wish to express our support for foreign investment in Australia and a policy framework that ensures that Australia remains an attractive destination for investors. ANZ has not been party to government decisions on the particular matters referred to the Inquiry - namely matters related to the Port of Darwin, TransGrid and S Kidman and Co - and is not in a position to comment on them.

ANZ

ANZ operates in 34 markets with representation in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East. We provide a range of banking and financial products and services to around 9 million customers. We employ around 50,000 people.

Our strategy is to use the strength of our Australian and New Zealand businesses and our connectivity across the Asia Pacific region to meet the needs of our customers and to capture the banking opportunities linked to regional capital, trade and wealth flows.

Foreign Investment in Australia

Foreign investment in Australia, and investment by Australian businesses in other nations, is critical for our future growth and prosperity.

Foreign investment has played a central role in Australia's development as a high income economy, particularly in the 19th Century and after the second world war.¹ It has been estimated that between 1984 and 1989 Australian gross national product per capita was 15 per cent higher due to foreign investment than it would otherwise have been.²

Foreign investment continues to be important for developing Australia's economy. The ANZ Insight paper "Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand" estimated that Australia may be able to increase agricultural exports by up to \$1.8 trillion by 2050.

¹ McLean, I. (1989) 'Growth in a Small Open Economy: A Historical View' in B. Chapman (ed) *Australian Economic Growth*, Macmillan, p.104 and p.187.

² Layton, AP & Makin, T (1993) "Estimates of the Macroeconomic Impact of Foreign Investment in Australia", *International Economic Journal*, Korean International Economic Association, vol. 7(4), pp 53-42.



However, to realise that opportunity, Australian agriculture requires significant capital, including foreign investment. The paper estimates that there will be a shortfall between capital requirements and available domestic capital of up to \$850 billion by 2050 and a total capital requirement of up to \$1.6 trillion.

Australia needs to be an attractive destination among the nations competing for capital. In relation to the agricultural sector, Australia is estimated to account for less than five per cent of global institutional investment. Competition for institutional agriculture investment is increasing with nations in Asia, South America and Africa seeking investment to develop their economies.³

Foreign investment can contribute to developing more efficient supply chain and logistics, and opening up offshore markets for Australian products. Investors in Australia will seek to capitalise on integration between their home markets and Australia, leading to more efficient transport and distribution infrastructure. Foreign investment is also recognised as a means of gaining access to high productivity processes and technologies.⁴

Free Trade Agreements

Australia will benefit from recent Free Trade Agreements and has made significant foreign investment commitments under the Agreements. These commitments apply a \$1,094 million threshold to investors from Chile, China, Japan, Korea, New Zealand and the United States. A \$252 million threshold applies to investment in sensitive sectors. A lower threshold of \$15 million cumulative investment applies to agricultural land purchases and \$55 million for investment in agribusinesses. Exemptions under Australia's FTAs apply to these agriculture thresholds.

It is important that any recommended changes do not undermine these commitments or restrict foreign investment further.

Current Powers of Oversight

The Australian Foreign Investment Review Framework strikes a balance between encouraging foreign investment and the need to protect the national interest. The powers of the Foreign Investment Review Board (FIRB), and the Treasurer, are deliberately broad and capable of being utilised on a case-by-case basis.

Under the *Foreign Acquisitions and Takeovers Act 1975* (the Act) the Treasurer has broad powers not just to review foreign investment proposals that meet certain criteria, but also the power to block foreign investment proposals or apply conditions to the way proposals are implemented to ensure they are not contrary to the national interest.

ANZ believes that the powers currently granted to the Treasurer are sufficiently wide to enable review and oversight of asset and lease sales. ANZ also notes the recent appointment of Mr David Irvine to FIRB to increase national security expertise.

Summary

Australia has relied on foreign investment to develop our economy and rich natural endowment. There is continuing community support for foreign investment and Australia's stability and well-developed capabilities are generally attractive to investors.

In ANZ's view, the current legislative framework strikes a balance between realising the benefits of foreign investment and protecting the national interests.

³ See Kugelán, M and Leavenstein, S (2009) 'Land Grab? The Race for the World's Farmland', (Woodrow Wilson International Centre for Scholars, Washington) for a discussion of post GFC competition for agricultural investment. Also, Valoral Advisers (2015), "2015 Global Food and Agriculture Investment Outlook", (www.valoral.com) discusses recent investment trends.

⁴ Parliamentary Library Research Paper (2014), 'Foreign investment in Australian Agriculture', p.16.



In the event that the Inquiry recommends change, it is important that Australia remains a competitive destination for investors while providing sufficient protections to ensure foreign investment continues to enjoy wide community support.

Kind regards

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