



## Additional Comments— Senator the Hon Helen Coonan

I wish to make some additional comments in relation to the *Protocol on Investment to the Australia- New Zealand Closer Economic Relations Trade Agreement*, tabled on May 11 2011.

I support the *Protocol on Investment to the Australia- New Zealand Closer Economic Relations Trade Agreement*, as it *strengthens the relationship between Australia and New Zealand*, develops closer economic relations through free trade, eliminates barriers and develops fair competition.

As a recent member of the committee I was unable to attend the hearing but have carefully considered the Hansard record of the evidence to the Committee at the public hearing on July 4 2011 where Treasury advocated the benefits of the treaty.

Treasury evidence was that it will strengthen the economic relationship between Australia and New Zealand, reducing compliance costs for investors and provide investment protections conducive to increased trans Tasman investment flows.

The evidence before the Committee indicated that:

- New Zealand enjoys favoured nation status and with this treaty will be given the same treatment as our largest investor, the United States, who is our 'most preferred trading partner'.
- Australia is the largest investor in New Zealand whereas New Zealand is the 3rd largest investor in Australia
- The 2 way investment stands at \$107 billion - total New Zealand investment in Australia is \$33.7 billion; whereas the Australian investment in New Zealand is \$73.9 billion, almost double;
- As the name of the treaty indicates - it will provide New Zealand with closer economic ties - the reciprocal benefits to Australia that might be expected are greater, given the size of our investment.

- The higher threshold at which Australian investment is to be screened is said to deliver significant compliance costs savings to Australian businesses.
- Any government investment is subject to the Foreign Investment Review Board (FIRB) screening and requires approval.
- No concerns were expressed by business in the submissions received in 2006 which I note included Telstra and TelstraClear which is Telstra's subsidiary in New Zealand. The support of Treasury is based on the 'assumption that foreign investment is in the national interest'.
- In all the time that FIRB has considered the approvals the only two to be rejected out of thousands of applications in a decade was SGX and Woodside – (page 3 of the July 4 transcript).

I have also had the benefit of reading the thoughtful dissenting report of Dr Stone on this Protocol, and believe it deserves careful consideration. Her views as the representative of a rural community are of particular relevance at a time where national discussion is focussed on food security and with calls for more rather than less scrutiny of overseas investors wanting to take a stake in Australia.

A point raised by Dr Stone relating to the threshold for review for New Zealand is that it is higher than for the United States. I take the point but do not believe the difference to be of sufficient concern to warrant not supporting the Protocol.

Dr Stone also raises concerns about the disparity about the trigger point for screening which is a higher percentage and higher dollar value in New Zealand. This may be seen as a barrier to New Zealand investment but as noted above there is already greater financial investment by Australians and much lesser investment by New Zealand investors. Any concerns are offset by the fact that the new threshold for Australian investors being increased 400 per cent under the protocol. It will serve to open up opportunities across the Tasman for Australian business and result in less compliance cost.

Dr Stone correctly points out there are different definitions applicable to sensitive areas. Foreign investment has made a very strong contribution to Australia's growth and development but there are sensitivities and some concerns that mean it is important to maintain a screening regime to ensure that investment is in the national interest. I am of the view that the differing definitions can be accommodated in pursuit of the greater benefits of the protocol.

However I do note Dr Stone's comment at page 5 of the July 4 Hansard that 'there is a history of 3rd party importation via NZ' to get around quarantine issues. The concern is that an investor may present as being a New Zealand entity and thereby gain access to the benefits of investment in Australia without meeting FIRB requirements. It is not clear that this apparent loophole would pose a

significant problem in terms of the scale and scope, thus far, of New Zealand investment into Australia.

On balance I am persuaded that the Protocol should be supported and concur with the recommendation to support the Protocol and recommend that the binding treaty action be taken.

**Senator the Hon Helen Coonan**

