

## Chapter 2

### Foreign investment in Australia

2.1 Australia has always relied on foreign investment to enhance trade relationships, grow industries and develop jobs and infrastructure. For over 200 years, Australia has welcomed investment—initially from Britain, later from the United States and more recently from Japan. This investment has been critical to the development of Australia's industries and infrastructure.

2.2 It is in Australia's interests to welcome foreign investment. Foreign investment generates a range of potential benefits including: productivity and competitiveness through the provision of new technology; specialist knowledge; marketing expertise in specific markets; access to global supply chains; access to capital; and the opportunity for shifting risks. Domestically, foreign investment can also increase tax receipts and result in higher incomes.<sup>1</sup>

#### Current levels of foreign investment in Australia

2.3 The level of foreign investment in Australia reached \$1,724 billion as at 31 December 2008. Portfolio investment accounted for \$921 billion (53 per cent), direct investment for \$393 billion (23 per cent), other investment liabilities for \$303 billion (18 per cent), and financial derivatives for \$108 billion (6 per cent).<sup>2</sup>

2.4 The leading investor economies in Australia, as at 31 December 2008, were the United Kingdom (24.8 per cent), the United States (24.3 per cent), Japan (5.2 per cent), Hong Kong SAR (3.3 per cent) and Singapore (2.5 per cent). The People's Republic of China (hereafter China) was ranked 15<sup>th</sup> at 0.5 per cent. Investment by China was lower than, for example, Belgium or the British Virgin Islands.

2.5 Foreign direct investment in Australia is also dominated by the United States (24.3 per cent) and the United Kingdom (15.4 per cent). Foreign direct investment is a subcategory of foreign investment and refers to a company from one country making a direct investment into another country, or the establishment of an enterprise by a foreigner. It does not include portfolio investment.

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1 A recent report from the Committee for the Economic Development of Australia (CEDA) identifies many other advantages attached to foreign investment. These include: increasing the 'pool' of savings; facilitating portfolio management; encouraging specialisation; creating 'spillovers'; increasing taxation revenue; increasing global integration; and increasing global standards of living, 'The contribution of foreign direct investment and the mining industry to the welfare of Australians', Information Paper Number 92, November 2008, Appendix to *Submission 6*, pp. 9–11.

2 Australian Bureau of Statistics, 'International Investment Position, Australia: Supplementary Statistics, 2008', Cat Number 5352.0, (accessed 11 August 2009).

**Foreign investment in Australia as at end 2008<sup>3</sup>**

Country/Region	\$ billions	% of total
China	7.9	0.5
Malaysia	10.1	0.6
Belgium	11.8	0.7
Canada	18.2	1.1
British Virgin Islands	19.2	1.1
New Zealand	27.1	1.6
France	28.9	1.7
Netherlands	32.9	1.9
Germany	36.3	2.1
Switzerland	38.1	2.2
Singapore	43.1	2.5
Hong Kong	56.3	3.3
Japan	89.5	5.2
United States of America	418.4	24.3
United Kingdom	427.1	24.8
ASEAN	58.3	3.4
EU	567.5	32.9
APEC	685.6	39.8
OECD	1161.2	67.3
Total all countries	1724.4	100

**Foreign direct investment in Australia as at end 2008**

Country/Region	\$ billions	% of total
China	3.0	0.8
Luxembourg	3.3	0.8
Malaysia	5.1	1.3
Belgium	5.2	1.3
New Zealand	5.4	1.4
Hong Kong	9.5	2.4
Singapore	10.1	2.6
Canada	10.2	2.6
France	13.4	3.4
Germany	13.7	3.5
Switzerland	19.5	5.0
Netherlands	25.1	6.4
Japan	36.0	9.2
United Kingdom	60.4	15.4
United States of America	95.4	24.3
ASEAN	15.4	3.9
EU	133.2	33.9
APEC	176.3	44.9
OECD	302.2	76.9
Total all countries	392.9	100

2.6 It should be noted that there have been strong increases in the levels of Chinese investment in the period after these figures were produced. There have been a series of substantial applications approved by the Treasurer. These include: the Hunan

3 These tables are based on data included in 'International Investment Position, Australia: Supplementary Statistics, 2008', Australian Bureau of Statistics, Catalogue Number 5352.0, (accessed 11 August 2009).

Valin Iron and Steel Group's application for a 17.55 per cent holding in the Fortescue Metals Group; the China Minmetals Non-ferrous Metals Company's application for certain mining assets of OZ Minerals; and the Anshan Iron and Steel Group Corporation's application to acquire additional shareholdings in Gindalbie Metals, up to a maximum of 36.28 per cent. While the 2008 figures suggest that investment from China may be increasing from a very low base, had the proposed Chinalco acquisition of a 19 per cent stake in Rio Tinto taken place, this deal alone would have seen China assume a very different place within this table—probably near the middle of the table, around Switzerland and Germany.

2.7 The increased Chinese interest in Australia as an investment destination was made clear in a comment by the Treasurer Wayne Swan in a speech to the China–Australia Chamber of Commerce in June 2008:

China has until recently been a relatively small source of foreign investment. At the end of 2006, the stock of Chinese investment in Australia was only \$3.4 billion, and accounted for just 0.2 per cent of foreign investment in Australia.

But I'm glad to say this seems to be changing. In the fiscal years 2005–06 and 2006–07, Australia approved around \$10 billion in proposed investment from mainland China. In 2007–08, the value of proposed investment from mainland China could rise to more than \$30 billion. Since we came to office, Chinese investment proposals have been approved at the rate of around one per fortnight.<sup>4</sup>

2.8 Even with the approvals of foreign investment applications from China during 2009, China remains, at least in the short term, a much less significant investor than either the United Kingdom or the United States. (A list of major Chinese government-related investment in Australia is found at Appendix 4.)

### **Foreign investment in Australia's resource sector**

2.9 At a recent national infrastructure conference, Rio Tinto's CEO Mr Sam Walsh, explained how Japanese capital underwrote the expansion of Australia's mining industry in the 1980s, drawing particular attention to the establishment of rail networks out of the Pilbara:

Our rail system was established over four decades, and I would like to remind all here how that was done: very much in partnership with the Japanese steel industry, which underwrote the massive up-front costs on what was an extraordinary vision to open up the Pilbara. Without that support, without that underwriting, it is impossible to imagine that Australia

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4 The Hon Wayne Swan MP, 'A remarkable place at a remarkable time', China–Australia Chamber of Commerce, 10 June 2008, <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=speeches/2008/018.htm&pageID=005&min=wms&Year=&DocType=1> (accessed 20 April 2009). In the following month the Treasurer claimed: 'I have approved a Chinese investment proposal on average once every nine days since coming into office'. Treasurer Wayne Swan, 'Australia, China and this Asian Century', Speech to the Australia China Business Council, Melbourne 4 July 2008.

would have an iron ore industry, and our greatest export business would simply not have occurred.

And at various steps along the way, whether through the Robe River JV with the Japanese companies Mitsui, Nippon and Sumitomo or the more recent partnerships with Sinosteel at our Channar mine or Baosteel at Eastern Ranges, we have sought and relied on customers to help underwrite our infrastructure investment.<sup>5</sup>

2.10 In the above statement Mr Walsh refers to the establishment of the Channar iron ore mine in the Pilbara in 1986. This was a result of a joint venture between Sinosteel (40 per cent) and Hamersley Iron, now Rio Tinto (60 per cent). The Channar mine was China's first large-scale investment into Australia. The Australia China Business Council added:

This was the largest overseas investment by China at the time and, indeed, remained China's single most significant investment in Australia for many years.<sup>6</sup>

2.11 The development that took place was a result of a joint venture between Hamersley/ Rio Tinto and a Chinese state-owned entity.

2.12 As this background suggests, Australia's geographically remote and capital intensive mining industry is particularly reliant upon access to international capital. Foreign investment has enabled Australia to access the global capital it needs to develop its natural resources. The committee received evidence that suggested that Australia must accept foreign capital if it is to develop its resource sector adequately. Mr David Murray AO, Chairman of the Board of Guardians, Future Fund, expressed this argument in the following terms:

In Australia's case, we have a very small population and working population relative to our resource base and hence we have been capital dependent on the rest of the world for a long time...<sup>7</sup>

2.13 In their submission to the inquiry, Professor Peter Drysdale (the Australian National University) and Professor Christopher Findlay (University of Adelaide) reinforced how Australia's mining industry has benefited from foreign investment:

Australia has perhaps the most efficient mining sector in the world. This is importantly due to its openness to foreign investor competition and participation, because that brings with it, and fosters, the technology, management know-how and market links that are essential ingredients in the development of a world class, internationally competitive industry. Australia, therefore, has a long record, and a strong policy regime,

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5 Sam Walsh, Australian Financial Review National Infrastructure Conference, Sydney 2 April 2009, 'Infrastructure—securing Australia's iron ore exports', [http://www.riotintoironore.com/documents/Sam\\_Walsh\\_AFR\\_Infrastructure.pdf](http://www.riotintoironore.com/documents/Sam_Walsh_AFR_Infrastructure.pdf) (accessed 28 April 2009).

6 *Committee Hansard*, 2 July 2009, p. 2.

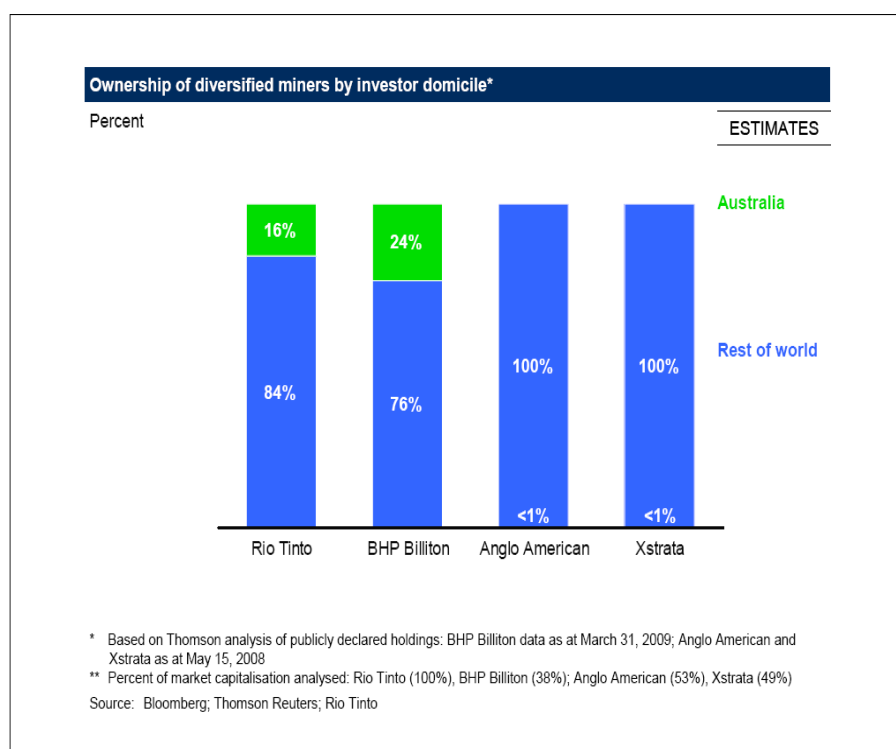
7 *Proof Committee Hansard*, 10 August 2009, p. 20.

characterised by openness towards foreign investment in its resource industries...

Foreign direct investment has accounted for more than one third of capital formation in all Australian industry since the turn of the century; in mining and resources it has accounted for almost half, and in some years a much higher proportion, of total capital formation in the sector. Importantly, foreign investors have played a similarly prominent role in capturing export markets, and account for a growing share of minerals exports (ABS, 2007).<sup>8</sup>

2.14 In making an observation about the high levels of foreign ownership in the international resource sector, Rio Tinto explained that among the major mining companies operating in Australia, BHP-Billiton, Anglo American, Xstrata and Rio Tinto itself, are all majority foreign owned.<sup>9</sup> This perspective was reinforced by Mr Patrick Colmer, FIRB, who suggested that '...BHP under our laws is a foreign corporation—as is Rio Tinto'.<sup>10</sup>

### *Ownership of diversified miners by investor domicile*<sup>11</sup>



8 *Submission 40*, pp. 2–3.

9 A list of Australian resource projects that are controlled by foreign investors is maintained by the Mayne Report see: <http://www.maynereport.com/articles/2007/07/17-2040-8377.html> (accessed 29 April 2009).

10 *Committee Hansard*, 22 June 2009, p. 4.

11 *Submission 47*, 'Exhibit 3', p. 17.

## **Foreign investment and sovereignty over natural resources**

2.15 Many concerns were expressed to the committee over foreign investors gaining control over Australia's natural resources. This was a common theme throughout both the submissions and in the evidence taken at public hearings.

2.16 It is worth noting that foreign investment does not diminish Australia's sovereign ownership of its natural resources. Mining companies in Australia do not own the land from which natural resources are extracted. Federal and state government grant these companies licences and leases which allow them to operate. Australia also retains control over all business activities taking place within its borders. Professor Peter Drysdale reiterated this message:

There is no question of Chinese investors, Japanese investors or American investors ultimately having control of these resources. We have control of these resources. They are our resources; they are our sovereign resources. The policy regime that you and your colleagues put in place is what governs the use of these resources within a market. If there are problems in the market, if there are monopolies and distortions in the market, then the policymakers need to deal with those. We have the power to deal with them, including the power to deal with markets in which foreign investors are heavily involved and regulate them in respect of a whole range of things, including the way in which they develop the resources sensitive to the environment, Indigenous people and all the considerations that you and we as interested citizens would want to have sensitivities to.

Control over these resources is within our province. It is not the province of the investor that has delivered to it the right to undertake it, whether it be a foreign investor or a domestic investor. Again it might seem like a moot point but actually it is a fundamental point in the understanding of how we have to manage these market activities, whether they be market activities that foreigners take part in or domestic businesses take part in.<sup>12</sup>

2.17 Long term, foreign investment in the capital intensive resource industry has the potential to increase income flows for individuals, companies and host governments through mineral royalties and licence fees, income tax and indirect taxes (payroll, fringe benefits, fuel excise, land and other taxes).

## **Public attitudes towards foreign investment**

2.18 The Treasury's policy document on Australia's Foreign Investment Policy acknowledges that, despite the fact that foreign investment has played a critical role in the development of a modern Australian economy, Australians typically remain concerned about foreign investment:

The Government recognises community concerns about foreign ownership of Australian assets. One of the objectives of the Government's foreign

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12 *Committee Hansard*, 1 July 2009, p. 35.

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investment policy is to balance these concerns against the strong economic benefits to Australia that arise from foreign investment.<sup>13</sup>

2.19 An information paper titled, 'The contribution of foreign direct investment and the mining industry to the welfare of Australians', published by the Committee for Economic Development of Australia (CEDA), outlines six concerns that are commonly articulated about foreign investment:

- *Concern 1:* Foreign firms may flout local rules;
- *Concern 2:* Foreign investment is shifting domestic production towards low-value activities;
- *Concern 3:* Unlike foreign investment in physical capital, nothing useful happens when an Australian firm is purchased by a large multinational firm;
- *Concern 4:* Australians would be better off if transactions took place only among Australians;
- *Concern 5:* Foreign labour will displace Australian jobs;
- *Concern 6:* Foreign investment causes profits to leave the country.<sup>14</sup>

2.20 In addressing the matter of public perceptions of foreign investment in Australia numerous submitters made reference to the *2008 Lowy Institute Poll: Australia and the world*. Conducted in July 2008, the poll found that 90 per cent of Australians either 'strongly agree' or 'agree' that the Australian government has a responsibility to ensure major Australian companies are kept in majority Australian control. The poll also demonstrates that there was also overwhelming agreement (85 per cent) that investment by companies controlled by foreign governments should be more strictly regulated than investment by foreign private investors.<sup>15</sup>

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13 The Treasury, 'Australia's Foreign Investment Policy' available at: <http://www.firb.gov.au/content/downloads/Australia's%20Foreign%20Investment%20Policy.pdf> p. 1 (accessed 21 May 2009).

14 Committee for the Economic Development of Australia (CEDA), 'The contribution of foreign direct investment and the mining industry to the welfare of Australians', Information Paper Number 92, November 2008, Appendix to *Submission 6*, pp. 23–25.

15 Fergus Hanson, *The Lowy Institute Poll 2008, Australia and the world: Public opinion and foreign policy*, Lowy Institute for International Policy, p. 6.



2.21 Numerous witnesses agreed that there was some 'ingrained animosity' towards foreign investment in Australia. Ms Julie Novak, Institute of Public Affairs, suggested:

Certainly there are ingrained animosities held by certain sections of the community against foreign investment—basically an essential distrust of the foreigner, a lack of understanding of how foreign trade works to ensure the comparative advantages of countries are reconciled. The same concept does actually occur in terms of investment but there are, as we suggest in the submission, ingrained biases, ingrained sentiments and beliefs that, for example, selling off the mine or selling off the farm is damaging to Australia's interests. We would certainly argue to the contrary, but the increasing interest with respect to foreign investment in recent years is a product in part of that ingrained aversion to and distrust of foreign investment.<sup>16</sup>

2.22 Rio Tinto's submission placed recent public reaction to Chinese investment in Australia within an historical continuum, making direct comparisons with public reaction to the increase in Japanese investment in Australia during the 1980s:



Each new wave of foreign investment has brought new challenges. Investment by western countries such as the United Kingdom and the United States raised concerns as to whether Australia was losing control of its destiny to companies based overseas, and as to whether Australia's national culture and identity would be challenged. In the 1980s, investment by Japanese companies in mining, manufacturing, tourism and other ventures received close scrutiny and considerable public opposition. While the next wave of foreign investment is expected to come from China, it should be noted that until now, China's investments in Australia have been small and well below what we might expect given the extent of Australia's trading relationship.<sup>17</sup>

<sup>16</sup> *Committee Hansard*, 23 June 2009, p. 3.

<sup>17</sup> *Submission 47*, p. 6.



2.23 The graphic contained in Rio Tinto's submission (below) seeks to reinforce this, arguing that recent reaction to increased Chinese investment in Australia echoes the earlier reaction against Japanese investment.

Similarities between coverage of foreign resource investment	
Japan, 1980s	China, present
<p><b>SMH</b> 12 May 1987</p> 	<p><b>SMH</b> 12 February 2009</p> 
<p>"...the Japanese have today become what they call Japan Incorporated..." SMH, 17 July 1983</p> <p>"The local community begins to feel foreigners [Japanese] are not playing fair and square" AFR, 7 April 1988</p> <p>"... a single piece of seamless fabric – companies interwoven with government" SMH, 23 May 1987</p> <p>"Japan's 20 biggest companies could buy the entire State (of NSW) using just one year's profits" SMH, 23 May 1987</p>	<p>"It's understandable that all Chinese companies are tarred with the one "China Inc" brush..." Herald Sun, 20 February 2009</p> <p>"... access to state-backed financing gives Chinalco an unfair advantage" SMH, 14 February 2009</p> <p>"Chinalco is an arm of the Chinese government" The Australian, 12 February 2009</p> <p>"...a Chinese state corporation would control towns such as Weipa in Cape York." The Sunday Age, 15 February 2009</p>

Rio Tinto, Submission 47, p. 41

2.24 However, there are some key differences between Japanese foreign investment and Chinese foreign investment. The Australia China Business Council distinguished between the two eras of investment in the following way:

Obviously, the investments have taken place at different times and at different states of development of the Western Australian economy. In many ways, the Japanese investment created the iron ore industry, whereas now there is an existing iron ore industry. The current Chinese investment is looking not at creating new industry but at boosting and increasing existing industry. I think, with hindsight, Japanese investment has served Australia well and also Western Australia well. The joint venture model preferred by the Japanese appears to have served Western Australia well by helping us to develop many new industries and many new projects, which have grown the state, created revenue for the state and created many jobs for Western Australians.<sup>18</sup>

2.25 To this we can add another critical distinction. Prior to 1993, applications from foreign investors could only be approved if there was no other source of local capital, and even then, an investor was required to form a strategic partnership with an Australian firm who was required to maintain 51 per cent ownership. The changes that have taken place in Australia's regulatory system will be examined in more detail in the following chapter.

#### *Committee view*

2.26 At a time when there has been heightened public interest in foreign investment, it is critical that the Australian system provides certainty, predictability, transparency and confidence. It is important that the Australian public, and potential investors, have confidence in Australia's system for administering foreign investment applications. The committee also believes that it is important that there is a balanced debate over Chinese investment in Australia. Public debates about foreign investment should be facilitated by readily available information and more could be done to inform the community why Australia needs foreign investment. Equally, more could be done to manage the perception that there is a problem with Australia's foreign investment policy.

2.27 It is of concern to the committee that over the course of the inquiry the Foreign Investment Review Board was frequently described, both in the media and in public hearings, as operating under the cloak of secrecy. The committee is of the opinion that more could be done to demystify this perception. The committee believes that a higher degree of public education would arrest some community anxiety about foreign investment.

The committee acknowledges that the Treasurer has been responsive in clarifying Australia's foreign investment position, particularly for potential Chinese investment.<sup>19</sup> However, from the evidence given by some witnesses to this inquiry it is

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18 *Committee Hansard*, 2 July 2009, p. 8.

19 See for example, The Hon Wayne Swan MP, 'A remarkable place at a remarkable time', China–Australia Chamber of Commerce, 10 June 2008; Wayne Swan: 'Australia, China and this Asian Century' Speech to the Australia China Business Council 4 July 2008; Wayne Swan 'Australia, China and the Global Recession', Address to the ANU China Update Conference 14 July 2009; Wayne Swan: 'Foreign investment and the long road to recovery' Address to the Thomson Reuters Newsmakers Series, 4 August 2009.

evident that there remains in some sectors a level of concern about foreign investment in Australia.

2.28 The committee feels that the FIRB website, which is largely used as a vehicle to provide technical or procedural advice to applicants, could do more to inform the public about the foreign investment application and review process. This would be of benefit to potential foreign investors and the Australian public more generally.

2.29 Given that one of the specified roles of the Board is to 'foster an awareness and understanding, both in Australia and abroad, of the policy and the FATA' (*Foreign Acquisitions and Takeovers Act 1975*) this lack of publicly available material is surprising.<sup>20</sup> The committee also notes that there is scant information on the website about SWFs or SOEs. The only material on the website that relates to investments by foreign governments is as follows:

All direct investments by foreign governments or their agencies irrespective of size are required to be notified for prior approval under the Government's foreign investment policy. This applies whether the investment is made directly or through a company that is owned 15 per cent or more by a foreign Government. Applications must be submitted for:

- the establishment of any new business activity, regardless of value of investment;
- acquisitions of real estate of any value;
- acquisitions of interests in companies or business assets of any amount or value.

Decisions are subject to the national interest test and the general requirements of policy.

The only exception is acquisitions of developed residential real estate acquisitions where the land is to be used exclusively for the purposes of the diplomatic mission of that country or as a diplomatic residence.<sup>21</sup>

2.30 While the committee understands that many of the applications that FIRB accesses contain material that is commercial in confidence it believes that the FIRB website could be more effective in providing public information. The committee notes for example, that the website does not include a register of substantial commercial matters under consideration.

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20 As articulated at:  
<http://www.treasury.gov.au/documents/178/HTML/docshell.asp?URL=ch3.asp> (accessed 12 August 2009).

21 FIRB website: <http://www.firb.gov.au/content/direct.asp?NavID=36> (accessed 12 August 2009). The committee acknowledges that there is more information on the Treasury website, for example: <http://www.treasury.gov.au/documents/178/HTML/docshell.asp?URL=ch3.asp> (accessed 12 August 2009).

## **Recommendation 1**

**2.31 The committee recommends that FIRB develop a more effective communication strategy to improve public understandings of the benefits of foreign investment to Australia. This strategy should also provide additional information about how foreign investment decisions are made and provide information about the emergence of sovereign wealth funds and state-owned entities internationally.**

### *Reporting requirements and announcement of foreign investment decisions*

2.32 Confidence in the review process could also be strengthened through public disclosures, or through providing a higher degree of parliamentary scrutiny. The committee acknowledges that FIRB publishes an annual report for tabling in the Parliament, which provides information on the administration of foreign investment policy, the approval process, and statistics for applications and decisions for the period. With regard to FIRB's reporting responsibilities the committee notes that the Foreign Investment Review Board's *Annual Report 2007–8* was sent to the Minister on 20 July 2009. It was received by the Senate on 30 July 2009 and was tabled on 11 August 2009, 14 months after the years to which it refers. Given that the annual report is one of the primary reporting and accountability documents for FIRB, the committee is concerned about the time it is taking to report to the parliament. FIRB's capacity to act as a conduit for public information about foreign investment is limited by the deficiencies in its website and by the timeliness of its annual report.

2.33 In a time of heightened interest in the activities of the Board it would be useful if the annual reports were made available earlier. The committee also notes that the recently tabled report provides data which is largely out of date and does not contain, for example, up to date figures on sectorial approvals and up to date data on approvals by country, and so on.

2.34 With regard to reporting on decisions of substantial commercial cases, the committee notes that the Treasurer makes public the reasons for approving or rejecting an application. These decisions are made public through both FIRB and the Treasurer's website. The committee notes for example that in March 2007, Treasurer Wayne Swan advised, in a media release, that the government had determined that the Minmetals proposal for OZ Minerals could not be approved if it included the Prominent Hill site because this mine was situated near the Woomera Prohibited Area weapons testing range.<sup>22</sup>

## **Recommendation 2**

**2.35 The committee recommends that the Minister require FIRB to be more assiduous in producing a timely annual report.**

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22 Treasurer Wayne Swan, 'Foreign Investment', Media Release, 27 March 2009, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/029.htm&pageID=003&min=wms&Year=&DocType=0> (accessed 12 August 2009).

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## Adjusting to new global capital flows

2.36 Numerous submitters to the inquiry identified the shift that has taken place in foreign investment flows as investment from Europe and the United States has been gradually replaced by foreign investment from China, India and Russia. Those traditional investor-nations that have played an important role in Australia's development, such as the United Kingdom and the United States, are no longer the growth economies for foreign investment.<sup>23</sup> Dr Brain Fisher, Concept Economics explained:

...historically Australia has depended heavily on countries such as the United States and the United Kingdom for its net foreign investment inflows. However, that appears set to change in the future. Most of that change, of course, is a consequence of the changing world economic order. Basically gross savings in emerging developing countries such as China are growing rapidly. The output share of those countries is growing rapidly relative to our traditional development country sources of capital, and those changes are set to continue.<sup>24</sup>

2.37 Submitters drew different conclusions as to whether this shift in foreign investment flow was to be feared or favoured. Some believed that this represented an opportunity for stable, investor friendly nations like Australia to attract foreign investment; others argued that these new global capital flows will result in a new form of strategic dominance. Citing a comment from the United States investor and commentator, Warren Buffett, the National Civic Council claimed:

The world is witnessing a new form of strategic dominance. Countries that excessively depend on foreign borrowing risk losing their sovereignty, being 'colonised by purchase rather than conquest'.<sup>25</sup>

2.38 Submitters were in agreement that Australia needed to develop a regulatory system that responded effectively to these new global capital flows. However, the committee received widely divergent views on what type of regulatory framework was most appropriate.

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23 See, for example, National Civic Council, *Submission 31*, p. 3 or Concept Economics, *Submission 6*, p. 2.

24 *Proof Committee Hansard*, 10 August 2009, p. 31.

25 *Submission 31*, p. 3.

