

Committee Secretary
Department of the Senate
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Australia

Submission to the Senate Economics Committee Inquiry into foreign investment by state-owned entities

Terms of Reference

- a. the international experience of sovereign wealth funds and state-owned companies, their role in acquisitions of significant shareholdings of corporations, and the impact and outcomes of such acquisitions on business growth and competition; and
- b. the Australian experience of foreign investment by sovereign wealth funds and state-owned companies in the context of Australia's foreign investment arrangements.

It is my submission that, to the extent that the Australian Government has relevant power to control such matters, it is highly undesirable for any company/corporation/organisation owned or controlled by any foreign government to acquire a significant shareholding in any company carrying on a significant part of its business in Australia. This is particularly important when that business is the extraction and export of Australia's natural resources.

In the particular case, it is unacceptable for the Government of one of our major trading partners to move to a position where that foreign Government may influence, or even determine, the supply and price of the commodity to itself. Foreign customers should never have control of the supply chain.

Should this investment be allowed, Australia will effectively lose control of its own resources. The foreign Government will exercise control, not only through its voting power on the Company board, but also through its trading power by virtue of the flow of other goods exchanged between our two countries.

It will not just be the future of our natural resources at stake, but our entire economy will be put at risk by the hugely enhanced influence the Chinese Government will have. This has the real potential to also put at risk the independence of both our foreign and domestic policies while such investment power lies in the hands of a foreign government.

This is akin to the influence that foreign governments exercise on their "hosts" as a result of establishing military bases or communications installations, but far more insidious. We won't be "hosts" to a foreign government, they will in reality be the owners. Any lingering concept of Australian sovereignty over our own resources will be gradually dissipated over time by the increasing concessions that will inevitably be granted by the Australian government succumbing to the pressure of such a powerful trading partner.

As an alternative, the Australian government might do well to consider other ways to resolve the financial difficulties of the ailing mining company, perhaps through its own economic stimulus activities, instead of ceding our sovereignty to another nation.

I ask that the Committee recognise and assess the risk that this proposal poses to Australia's ability to determine its own future as an independent nation, and to recommend its rejection.

John L T Butler