

# SENATE INQUIRY INTO FOREIGN INVESTMENT BY STATE-OWNED ENTITIES

## SUPPLEMENTARY COMMENT

(Submitted by: Bill Edwards)

### **Vertical Integration**

In my main submission, emailed to you earlier today, there was one key point I omitted to bring out sufficiently. That was the issue of vertical integration arising from purchases by foreign government-owned entities.

First, I strongly object to government-owned customers for our natural resource products (in both the mining and agricultural areas) buying our producer companies. This can deliver excessive control to the buyer, including the ability to manipulate markets for nationalistic purposes.

Second, even if the government-owned company is not a customer it can be used as a defacto one by the government in question. This tactic can be very easily disguised as well.

Third, and more generally, foreign governments like the Chinese government have very deep pockets and can easily outmarshal private buyers in a bidding war for Australian assets. By allowing them to purchase at will we are making ourselves very vulnerable.

Bill Edwards

24 April 2009