

Inquiry into foreign investment by state-owned entities

Committee Secretary: Senate Economics Committee

From Mary Jenkins

This submission comes from my work and life experience. I first worked for a nationalized steel works both in Wales and later in New Zealand. I watched as these industries were taken over and privatised. There was great job losses and community angst. However the greatest loss was the lack of investment in human capital. Generations of apprenticeships and dedicated skilled workers in eg, the steel industry etc was lost. The same is happening today in Australia instead of retooling to meet new technology the states have sold out to foreign investors who played monopoly with each other's assets. Who owns the knowledge today and who is making the decisions? What are these decisions based on? Greed or the political, scientific and economic ignorant?
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The environment poses a huge problem to those who want to invest in Australia. They have little understanding of the fragile nature of this country. Chinese AnSteel, who want to increase their investment from 12.6% to 36.28% and buy at bargain basement prices say /"that groups trying to do valid business take so long to get an environmental approval"/ (The Australian Business Friday 24th April 2009). The danger is that once Ansteel own more shares they will ignore Australia's high standards of safety in the workplace and labour costs. Soon Ansteel will want to bring in their own labour to maximise profits. Work, living and safety standards will decline along with environmental standards in projects if the state has no power to legislate what happens in the Australian workplace in future.

Understanding

The problem is endemic in the Australian political system. Greed has allowed foreign investment to take over state owned entities. Poor political state management encouraged private ownership selling off the shop at today's bargain basement prices. In future these assets will be worth far more and ownership has been lost- gone overseas. It could be argued that it is too late, as most of it is already owned by foreign investment. But at least today the state still has a say on aspects like environment, quality control and safety in the workplace.

Free trade policies negotiated by the federal government neglected to protect jobs and community assets. The states and federal government thought they were onto a good thing but it has backfired on them. Trade may have sounded good when everything was booming but the reality is there is no long term policy to protect citizens' rights. The house of cards has fallen. These resources do not belong to politicians they are the wealth of the nation owned by the people not the state.

Application of Free Trade

Faith in free trade is rapidly losing credibility especially since the last G20. Other major economies are slowly but surely raising

protectionist barriers through subsidies and a state procurement programme. This is to protect local jobs and businesses. However free-market economists warn that any moves to protectionism will trigger a trade war, and destroy the world trading system, as happened in the 1930s. This is nothing but a furphy. Yet the states and many governments fall in line with threats of on all out trade war. The majority of citizens are not convinced neither are many experts!

Analysis.

It is the duty of politicians and public servants to serve their community and protect the Australian lifestyle. It does not appear that they are motivated to make decisions in the best interest of their citizens. There are good reasons to consider limited measures to protect domestic economies. The real economy takes time to adjust. Producers must build new factories, and invest in new technologies. Workers must acquire new skills and find new jobs. When big adjustments are needed, temporary protectionism helps to create the breathing space for companies and workers to reinvent themselves. The states play a large part in support for a new vision for the future. They need to plan carefully and not hand over state resources at today's bargain prices. The states are putting tomorrow's jobs at risk as well as the economy of future generations if they continue to allow increasing foreign investment in our resources and agriculture.

Synthesis.

The states along with the federal government have failed to protect local manufacturing and other industries they shifted them overseas at the altar of greed, cheap labor and goods from China and other Asian exploited nations.

Citizens of each Australian state might well be willing to swap a little more job stability for slightly more expensive quality goods in the shops. If there was investment in large capital works this would sustain the steel construction and housing industries and flow on through the wealth of the nation to lift us out of a recession sooner rather than later.

Evaluation.

The international division of labor should be balanced against the need for a broadly based economy, capable of protecting Australians against shocks to overseas industry take overs. Such mild protectionism can be explicitly time limited. Indeed, evidence after the 1970s oil shocks shows that countries like Japan and Sweden that had specific and time-bound protectionism bounced back more quickly than others, like the US, where measures were hidden but more pervasive.

In conclusion

Have the states the capability or even the authority of the people to make important decisions to sell off to overseas buyers? Reports by experts and committees findings are often ignored and populist political rhetoric made by unqualified politicians can lead Australia to a bleak future. The next election should not be the aim of politicians but the

future of this country. Alas this is not the case.

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