

## **Senate Economics Committee Inquiry into foreign investment proposals**

**Clinton Fernandes, UNSW Canberra, 16 March 2020.**

### **The “national interest” test in the Inquiry’s terms of reference.**

The Committee’s use of the national interest test includes the protection of Australia’s market-based system from manipulation; the impact on market concentration and competition; the imposition of conditions on foreign investors; the danger of money laundering, the role of the Foreign Investment Review Board; and any other related matters.

The phrase “national interest” appears 16 times in the Foreign Acquisitions and Takeovers Act 1975 but is never defined. The Committee can and should adopt a more ambitious, less self-limiting idea of the “national interest.”

With reference to “the imposition of conditions on foreign investors,” Australia’s national interest should include the goal of increasing domestic innovation and supporting higher value-added sectors, such as high technology research and development, advanced manufacturing, and energy efficiency, rather than merely supplying raw materials for other countries to turn into finished products. Policies that give effect to this understanding of “national interest” would increase Australia’s economic complexity by diversifying our exports into higher value-added sectors. Economic complexity increases with the levels of diversification of a country (the number of products exported by that country). It decreases with ubiquity (the number of countries exporting the same product). An economically complex country can “combine new capabilities with a wide set of existing capabilities, resulting in new products of higher complexity than those of countries with few capabilities.”<sup>1</sup> A country’s level of economic development is associated with the complexity of its economy.

Australia has the lowest complexity of all the OECD countries, and our performance over the last 40 years leaves considerable room for improvement. In 1980, Australia was ranked as the 51st most-complex economy in the world; in 2017, it was 59th. The lowest point was in 2014, when it

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<sup>1</sup> Cesar A. Hidalgo, Ricardo Hausmann and Partha Sarathi Dasgupta, “The Building Blocks of Economic Complexity,” *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 106, No. 26 (Jun. 30, 2009), 10570-10575.

fell to 89th.<sup>2</sup> Australia's exports remain highly specialised in a few products such as iron ore, coal briquettes, gold, petroleum gas and wheat, which are typically produced by many other countries. According to the Chief Economist in the Department of Industry, Innovation and Science, "Australia's economic complexity is an anomaly among advanced economies, with the economic complexity closer to that of a developing country." Australia is "comparable to the economies of Kazakhstan, Cambodia, Kenya and Saudi Arabia."<sup>3</sup>

Instead of assuming that foreign investment is automatically in the national interest, the Committee should take the view that the "national interest" is better served by policies designed to promote technology transfer from foreign firms to Australia, local equity participation and training. Such policies would enhance Australia's economic complexity, which involves genuine economic development rather than just economic growth. As Joseph Schumpeter put it almost a century ago, economic development involves "only such changes in economic life as are not forced upon it from without but arise by its own initiative, from within." But if an economy is "dragged along by the changes in the surrounding world" and adapts itself to them, then there is economic growth without economic development.<sup>4</sup>

Economic growth without economic development often occurs when foreign interests – private or state-owned – determine Australia's pattern of growth. These interests try to build vertical economic linkages back to the economies of the metropolitan centres rather than horizontal economic linkages between domestic sectors of the local economies. Typically found in imperial-colonial relationships, such vertical economic relationships result in monoculture economies that produce mineral resources and agricultural goods for exports. By contrast, horizontal economic linkages generate a "spread effect," such that mining operations enable new domestic industries and workers who are trained for more highly skilled tasks.<sup>5</sup>

The national interest would thus be advanced by foreign investment policies which provide explicitly for technology transfer, local equity participation and training.

The Foreign Investment Review Board explains that the national interest involves "factors including national security; competition; other Australian Government policies such as taxation; the impact on the economy and the community; and the character of the investor (additional aspects are

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<sup>2</sup> The Growth Lab at Harvard University. *The Atlas of Economic Complexity*. <http://www.atlas.cid.harvard.edu>

<sup>3</sup> Office of the Chief Economist, "Globalizing Australia," *Industry Insights*, June 2018.

<sup>4</sup> Joseph A. Schumpeter, *The Theory of Economic Development* (Cambridge, Mass.: Harvard University, 1934), 273-4.

<sup>5</sup> Gunnar Myrdal, *Economic Theory and Under-Developed Regions* (London: Methuen, 1963).

considered for investments in the agricultural sector).”<sup>6</sup> These factors are not listed in the Foreign Acquisitions and Takeovers Act 1975. The Committee’s hands are not tied by any particular definition. It can and should adopt a concept of the national interest that benefits the Australian public by improving economic complexity. It should rely on evidence rather than assertions as to how to bring about this goal.

### **Foreign investment and the Australian anomaly**

It is often said that foreign investment has been central to Australia’s development for over two centuries. It is certainly true that British capital fuelled a long economic boom in the Australian colonies from 1850 to 1890, resulting in infrastructure, construction, manufacturing, and services. The Australian colonies were the largest recipients of British capital in the 1870s and 1880s. During this economic boom, a period in which the Australian economy was transformed forever, as much as half the total investment came from Britain, and “British taxpayers laid the basis for Australian capitalism,” as two economic historians conclude.<sup>7</sup>

However, this form of investment is also responsible for Australia’s status as “an anomaly among advanced economies, with the economic complexity closer to that of a developing country.”<sup>8</sup> British investment fostered vertical economic ties with London more than horizontal economic ties integrating the economies of the six colonies. The dependent nature of the relationship was understood at Federation in 1901; the “external affairs” power in the Constitution referred to Canberra’s connection to London, not to a link with the wider world. In London, moreover, the connection was to the Colonial Office, not the Foreign Office.<sup>9</sup> The Constitution protected British investors from the full authority of Australian courts (Clause 5 of the Preamble and sections 73 and 74). It contained neither a Bill of Rights nor a declaration of independence. Instead it created a free trade zone inside a customs union – an Australian Common Market. Australia’s inability to increase its economic complexity reflects the dependency that is part of the British legacy. The Committee should be a vocal advocate inside and outside the Australian Parliament for foreign investment and domestic economic policies that overturn this state of affairs.

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<sup>6</sup> Foreign Investment Review Board, ‘Foreign government investors – Guidance Note 23,’ 15 January 2019. [https://firb.gov.au/sites/firb.gov.au/files/guidance-notes/23\\_GN\\_FIRB-1.pdf](https://firb.gov.au/sites/firb.gov.au/files/guidance-notes/23_GN_FIRB-1.pdf) accessed 14 March 2020.

<sup>7</sup> Barrie Dyster and David Meredith, *Australia in the Global Economy: Continuity and Change* (Port Melbourne: Cambridge University Press, 2012), 61.

<sup>8</sup> Office of the Chief Economist, “Globalizing Australia,” *Industry Insights*, June 2018.

<sup>9</sup> Bill Hudson and Martin Sharp, *Australian Independence: Colony to Reluctant Kingdom* (Carlton: Melbourne University Press, 1988), 28.

## Foreign investment and the Implications for Australia's external relations

Australia was never the victim of British imperial policy but its junior partner and beneficiary. It had its own neo-colonies of Papua New Guinea and Nauru and a combined military-economic area of influence that extended to Fiji, the Solomon Islands, and Vanuatu. British imperial power had not destroyed Australia's business community and political leadership, unlike (for example) India's. On the contrary, British foreign investment in Australia occurred because it drained its other colonies of wealth and invested the proceeds. Between 1765 and 1938, according to a scholarly study, Britain drained from India what today amounts to \$18.3 trillion (£9.2 trillion).<sup>10</sup> It did so by manipulating India's public finances for the benefit of the British Treasury, raising and sustaining an expensive military establishment paid for by Indian taxpayers but usually deployed for non-Indian purposes: from 1838 to 1920, the Indian army was used against Afghanistan, Burma, Malaya, Thailand and Tibet, as well in the Middle East during World War I. The economic historian Leland Jenks provides a concise summary of how British expenditures were billed to India:

The costs of the Mutiny, the price of the transfer of the Company's rights to the Crown, the expenses of simultaneous wars in China and Abyssinia, every governmental item in London that remotely related to India down to the fees of the charwomen in India House and the expenses of ships that sailed but did not participate in hostilities and the cost of Indian regiments for six months' training at home before they sailed—all were charged to the account of the unrepresented ryot [peasant]. The Sultan of Turkey visited London in 1868 in state and his official ball was arranged for at the India Office and the bill charged to India. A lunatic asylum in Ealing, gifts to members of a Zanzibar mission, the consular and diplomatic establishment of Great Britain in China and in Persia, part of the permanent expenses of the Mediterranean fleet and the entire cost of a line of telegraph from England to India had been charged before 1870 to the Indian Treasury.<sup>11</sup>

British foreign investment in Australia occurred as a result of this drainage of wealth from the exploited colonies. For the settlers in Australia, however, their British roots, continuing familial connections to Britain and their imperial consciousness led them to identify with British military supremacy in India. In 1893, Alfred Deakin wrote that India “has been won by the sword, is still held by the sword, and can only be retained by the sword. . . . [W]hat is certain is

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<sup>10</sup> Utsa Patnaik, “Revisiting the ‘Drain,’ or Transfers from India to Britain,” in Shubhra Chakravarti and Utsa Patnaik (eds.), *Agrarian and Other Histories: Essays for Binay Bhushan Chaudhuri* (New Delhi: Tulika Books, 2017), 278–317.

<sup>11</sup> Leland Jenks, *The Migration of British Capital to 1875* (London: Thomas Nelson, 1938), 223–4.

not only that there must always be a supremacy in India, but that it must be the supremacy of arms.”<sup>12</sup> Australia’s foreign and defence policies reflect this preference for an international order underpinned by the threat or use of imperial force. Having begun their existence on the winning side of a worldwide confrontation described variously as imperialism versus anti-colonialism, developed versus developing countries, liberal democracy versus the rest, and so on, the organising principle of Australian foreign and defence policy is to stay on the winning side of the global contest.

Australia’s geo-strategic tradition flows from this organising principle: it is to fit into the global strategy of a Great Power. Today, Australia advances its economic interests – more precisely, the interests of its dominant business sectors – by working under the auspices of the United States to create an integrated global economy that offers a benign environment for international investors, as well as in the specific interests of Australian businesses. Similarly, Australia’s defence establishment cooperates with the US almost reflexively when it dials up the level of international tension to create a mood of crisis and induce its allies to shelter under the umbrella of American force. It is no accident that full inter-operability with the United States is a core feature of Australia’s military procurement of aircraft, submarines and much else.

The doctrinally acceptable way to describe this is to say that the “essentially collaborative and contributory nature of Australia’s likely role” is to “offer substantial capabilities, niche or otherwise, and significant experience in multinational military interoperability. The expense required to develop these capabilities can therefore be regarded as a form of investment in the capacity to influence outcomes in a coalition setting. Putting it crudely, the more Australia brings to the table, the more it is likely to be able to take away from it at the end.”<sup>13</sup>

Foreign investment thus has effects far beyond specific projects into which investment flows.

### **Foreign investment - determinants and consequences**

Perhaps the most frequently made argument in favour of foreign investment is that it can compensate for insufficient domestic savings. A 2016 Working Paper by two Treasury officials argued that foreign investment is “integral to the Australian economy. As a resource rich country

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<sup>12</sup> Alfred Deakin, *Temple and Tomb in India* (Melbourne: Melville, Mullen & Slade, 1893), 129–130.

<sup>13</sup> Geoffrey Till, “Outgoing Australia?”, *Centre of Gravity Series* No. 14 (Canberra: Strategic and Defence Studies Centre, 2014), 5.

with a relatively high demand for capital and a small population, Australia has historically relied on foreign capital to finance the shortfall between national investment and national saving.”<sup>14</sup> If this is true, it should still be possible to insist on some form of technology transfer, local equity participation and skills training as a condition. In addition, a sceptical approach to claims of inadequate domestic savings is in order. As ALP Opposition leader Arthur Calwell argued in 1968, General Motors did not invest its own money in Holden car manufacturing; it raised all the funds within Australia whilst making large profits and then repatriating them overseas:

The intention of General Motors-Holdens was not known to the Chifley Government when the franchise was given to them. I was a member of the Government at the time. The company promised to produce a small Australian motor car – a family car – at a reasonable price. From the time the company built the first motor car here it has overcharged the Australian people at least \$400 for each car it has sold. In that way it has built up the enormous wealth that it owns today.

When Sir Laurence Hartnett, the only non-American managing director employed by General Motors-Holden, had persuaded the Chifley Government that it was possible to build an Australian motor car, and when we had agreed to the proposal, he turned to Mr Chifley and said: ‘Well, what about some financial assistance?’ Mr Chifley said: ‘Will General Motors Corporation not provide some money?’ Mr Hartnett, as he then was, replied: ‘No, we would like to have an overdraft on the Commonwealth Bank.’ Mr Chifley rang Governor Armitage to ask for assistance and Governor Armitage said: Yes, Prime Minister, we will give you £2m. Then Mr Isaacson, the General Manager of the Bank of Adelaide in the city in which the Holden company was established, said: ‘We want to be in this.’ He provided another £1m. On this \$6m, General Motors-Holdens has built its huge empire. It has \$200m worth of assets in Australia and it has remitted probably \$200m in dividends to the shareholders of General Motors Corporation in the United States of America.<sup>15</sup>

Calwell was no outlier in his scepticism towards foreign ownership. In 1972, Treasury agreed that foreign ownership and control posed “problems for Australian economic policy and, perhaps, for policy in fields going beyond the strictly economic.”<sup>16</sup> It asked:

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<sup>14</sup> Adam McKissack and Jessica Xu, “Foreign investment into Australia,” *Treasury Working Paper* 2016-01, 18 February 2018. ISBN: 978-1-925220-30.

<sup>15</sup> Arthur Calwell, House of Representatives, 4 April 1968.

<sup>16</sup> Treasury, “Overseas Investment in Australia,” *Treasury Economic Paper* No. 1 (Canberra: Australian Government Publishing Services), 1972.

Are the economic benefits of foreign capital sufficient to outweigh the gains it reaps from Australia? Will the growth of these gains impose, over time, a long-run burden on the balance of payments? Should we be content to have our natural resources developed by foreign companies? Are Australian exports being hindered by the policies of international corporations with affiliates in Australia? Do foreign-controlled enterprises in Australia behave in other ways contrary to our national interests? Do foreign takeovers of Australian enterprises raise special problems? Is there a general need for majority Australian ownership of investment projects? Could we finance more of our own development from local savings?<sup>17</sup>

The rise and 40-year dominance of neoliberal thinking has seen Treasury abandon its objective of controlling the size and shape of foreign investment to benefit the national interest. But the questions it posed in 1972 remain valid, and the Committee should ask them of Treasury again, and explore how economic complexity can be increased by foreign investment.

A PhD dissertation completed at the Economics Department of the University of Melbourne in 2005 investigated the determinants and consequences of foreign direct investment (FDI) in Australia. It found that FDI had “positive effects on economic growth and, to some degree, domestic investment” but it “had a significant and negative effect on employment growth” and “a significant, negative effect on real wage growth.” The negative effect was attributed to “foreign firms being more capital-intensive than domestic firms and substituting some labour with capital.” FDI therefore “does not increase employment as much as domestic investment – a reason that could explain the slower employment growth. Slower labour demand growth, in turn, has a negative effect on wage growth.” FDI therefore “did not increase the demand for skilled labour and wages.” Furthermore, it had “a significant, positive effect on industry concentration,” thereby reducing competition within Australia. FDI “did not have a positive effect on Australian exports and did not reduce imports. The contrary was observed ... foreign-owned firms were found to increase the Australian trade deficit.”<sup>18</sup>

One obvious deduction is that policies designed to increase foreign direct investment are in fact mechanisms for redistributing wealth and power within Australia – towards wealthy investors and

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<sup>17</sup> Treasury, “Overseas Investment in Australia,” 1972. See also the discussion by David Richardson, “Foreign Investment,” in Damien Cahill and Phillip Toner (eds.), *Wrong Way: How Privatisation and Economic Reform Backfired* (Carlton: Black Inc Books/La Trobe University Press, 2018).

<sup>18</sup> Isabella Faeth, “Foreign Direct Investment in Australia: Determinants and Consequences,” (PhD thesis, Melbourne University, 2005), 306, 313.

away from wage-earners. Furthermore, FDI conceals the full effect of inequality in Australia because the national accounts system does not record local capital income flowing to foreign nationals when calculating the labour-capital share of domestically produced national income. If it were to do so, then the true picture of income and wealth distribution in Australia would be revealed as even more unequal.

### **What do the data indicate?**

There is no single authoritative source of foreign investment data.

The Australian Bureau of Statistics (ABS) collects statistics on investment activity into and out of Australia on a quarterly basis.<sup>19</sup> A key limitation of these statistics is that they are collected on a first investing country (FIC) basis. They cannot identify foreign investment that occurs via “third party” countries such as tax havens. ABS data by country indicates that the United States remains the largest source of FDI into Australia, followed by the United Kingdom and Japan. The Foreign Investment Review Board collects data on foreign investment proposals above certain notification thresholds. FIRB data includes approvals of proposed investments even when they do not result in actual investments. It includes multiple potential acquirers of the same target asset, resulting in double counting. FIRB data collection is also hamstrung by a higher screening threshold in the case of investment associated with free trade agreements.

For this reason, I have used company ownership data provided by the Bloomberg Professional Terminal to analyse the 20 biggest companies on the Australian Securities Exchange a few days after the May 2019 federal election. This research indicates that US investors eclipse everyone else in their ownership of elite Australian corporations. The ASX’s top 20 companies make up close to half of the market capitalisation of the Australian Securities Exchange. Fifteen of the ASX 20 corporations were majority-owned by US-based investors. Three more were at least 25% US-owned. According to my analysis, all four of Australia’s big banks are majority-owned by American investors. The Commonwealth Bank of Australia, the nation’s biggest company, is more than 60% owned by American-based investors. So too are Woolworths and Rio Tinto. BHP, once known as “the Big Australian”, is 73% owned by American-based investors.

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<sup>19</sup> Under ABS definitions, *portfolio investment* involves participation of less than 10 per cent of interest assumed to have no influence in the operation of the enterprise. *Direct investment* involves financial transactions and positions where shareholding or voting power is greater than 10 per cent. *Other investment* is a residual category that captures transactions not classified as direct investment, portfolio investment, financial derivatives, employee stock options or reserve assets of the compiling economy.



The share of foreign ownership in the equity of corporations is very important because the owners of the equity determine the corporations' policies, priorities and practices.

Name	USA	AUSTRALIA
BHP Group Ltd	72.91	9.2
Rio Tinto Ltd	65.34	12.35
Commonwealth Bank of Australia	60.89	22.45
Westpac Banking Corp	63.85	17.2
CSL Ltd	56.95	13.25
Australia & New Zealand Banking Group Lt	53.42	21.93
National Australia Bank Ltd	61.8	19.7
Woolworths Group Ltd	66.08	17.01
Macquarie Group Ltd	54.41	26.52
Wesfarmers Ltd	56.34	21.74
Telstra Corp Ltd	25.04	46.78
Transurban Group	34.59	48.06
Woodside Petroleum Ltd	57.3	18.83
Unibail-Rodamco-Westfield	50.51	30.56
Goodman Group	56.04	12.28
Fortescue Metals Group Ltd	15.22	60.58
ResMed Inc	4.09	44.37
Scentre Group	57.73	23.66
Newcrest Mining Ltd	55.76	14.58
Brambles Ltd	45.69	21.45

### **A look at one foreign-owned corporation from the ASX 20**

For reasons of space, I outline a vast amount of special treatment given to one foreign-owned corporation on the list above. The Committee should use its powers and look into the phenomenon in greater depth.

The data indicate that Woodside is almost 60% owned by US-based investors and that Australian-based investors own less than 20% of the shares. However, Woodside has been the beneficiary of a considerable amount of special treatment by the Australian government. In 1984, it was a little-

known company that began operating the North West Shelf Gas Project off the coast of Western Australia. The Project began exporting liquefied natural gas (LNG) in 1989. The Project has today become one of the largest LNG producers in the world. Woodside has become Australia's largest stand-alone oil and gas company, and one of the top twenty stocks in the ASX by market capitalization. In 2001, Treasurer Peter Costello blocked a takeover of Woodside by Dutch oil giant Shell – the only veto of a foreign investment bid in the Howard Government's eleven years. Woodside's chairman, Charles Goode, became a Companion of the Order of Australia in June that year, and "sat on the boards of top Liberal Party fundraising vehicles that generated millions of dollars in political donations," according to an investigation by the Australian Broadcasting Corporation's Four Corners program.<sup>20</sup>

The Australian government deployed the full weight of its diplomatic, legal, and scientific assets over decades to secure massive benefits for Woodside's shareholders. It pressured the newly-independent state of Timor-Leste to sign an International Unitization Agreement (IUA) that would deprive it of its fair share of revenues. The Australian government also refused to negotiate a permanent maritime boundary with Timor-Leste. It ordered the Australian Secret Intelligence Service (ASIS) to conduct an espionage operation against Timor-Leste. The Director-General at the time was David Irvine, a professional diplomat who had been Australian ambassador to China. There, he had led the Howard government's efforts to clinch a \$25 billion LNG deal for the Woodside-led North West Shelf consortium in 2002. When Irvine received command of ASIS in 2003, Woodside Petroleum was at the head of a consortium with valuable leases on oil and gas reserves in the Timor Sea.

The foreign minister at the time of operations against Timor-Leste, Alexander Downer, later spoke about the close connection between Australian foreign policy and the major Australian corporations: "Look, Woodside is an Australian company; we are on Australia's side. In all negotiations, we obviously had discussions with stakeholders. It would be absurd if we didn't have discussions with stakeholders. These are people who have paid good money for leases, they have an interest in the legal and regulatory regime, and obviously, Australia would conduct negotiations cognizant of the implications of what they were doing. You'd just be derelict in your duty if you

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<sup>20</sup> Marian Wilkinson and Peter Cronau, "Drawing the Line," *Four Corners*, ABC TV 17 March 2014, <http://www.abc.net.au/4corners/drawing-the-line/5328634> Accessed 15 March 2020.

didn't do that.”<sup>21</sup> He was candid about the aim of Australian foreign policy, “The Australian government supports Australian business and Australian industry. The Australian government unashamedly should be trying to advance the interests of Australian companies.”<sup>22</sup>

The close diplomatic-corporate nexus was also evident in Woodside's representatives in Timor-Leste: Brendan Augustin was an officer of the Department of Foreign Affairs and Trade, then Woodside's general manager Timor-Leste from June 2009 to December 2012, and then became Woodside's international relations manager.<sup>23</sup> John Prowse was a DFAT officer from February 2005 to August 2012, then Woodside's country manager in Timor-Leste from August 2012 to February 2014, and then senior corporate affairs adviser (International and Government Relations) since February 2014.<sup>24</sup> The secretary of the Department of Foreign Affairs and Trade, Dr. Ashton Calvert, retired in 2005 and joined the board of directors of Woodside Petroleum (and Rio Tinto).<sup>25</sup> The responsible minister, Alexander Downer, worked as a lobbyist for Woodside after leaving Parliament in 2008.<sup>26</sup> The one-time national secretary of the Australian Labor Party, Gary Gray was a senior executive at Woodside Energy from 2001 to 2007. He left to contest the 2007 federal elections and later became Australia's Minister for Natural Resources, Energy, and Tourism.<sup>27</sup>

Spied on, bereft of funds, and under sustained pressure from Australia, the Prime Minister of the impoverished Democratic Republic of Timor-Leste signed the International Unitisation Agreement in 2003. DFAT's National Interest Analysis which accompanied the Agreement stated that Woodside's representatives “have been involved throughout the development of the Treaty. At the outset, they provided what they saw as the essential elements that needed to be addressed. They were also provided with several opportunities to comment on drafts of the Treaty and met Commonwealth officials on a number of occasions. Throughout the process, they strongly supported the need for the Treaty, and made constructive comments on its content.”<sup>28</sup> However, the Joint Standing Committee on Treaties was never given such an opportunity. Professor Andrew

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<sup>21</sup> Hagar Cohen, “Did the Walls Have Ears?” *Background Briefing*, ABC Radio National 23 February 2014. <http://www.abc.net.au/radionational/programs/backgroundbriefing/2014-02-23/5267456>

<sup>22</sup> Wilkinson and Cronau, “Drawing the Line,” 17 March 2014.

<sup>23</sup> Brendan Augustin, LinkedIn profile, <https://www.linkedin.com/in/brendan-augustin-4298123b/> Accessed 24 January 2018

<sup>24</sup> John Prowse, LinkedIn profile, <https://au.linkedin.com/in/john-prowse-444b7670> Accessed 24 January 2018.

<sup>25</sup> Tony Stephens, “Diplomat Always at the Centre: Ashton Calvert, 1945–2007,” *Sydney Morning Herald*, 23 November 2007

<sup>26</sup> Cohen, “Did the Walls Have Ears?” *Background Briefing*, 23 February 2014.

<sup>27</sup> Parliament of Australia, Hon. Gary Gray AO, PM:

[https://www.aph.gov.au/Senators\\_and\\_Members/Parliamentarian?MPID=8W5](https://www.aph.gov.au/Senators_and_Members/Parliamentarian?MPID=8W5) Accessed 10 January 2018.

<sup>28</sup> National Interest Analysis, Agreement between the Government of Australia and the Government of the Democratic Republic of Timor-Leste relating to the Unitisation of the Sunrise and Troubadour Fields, done at Dili on 6 March 2003.

Serdy, a former DFAT negotiator who has since become an internationally respected academic, reflected on the “abnormal privilege” extended “to a private party.” In his evidence to the Senate Foreign Affairs, Defence and Trade References Committee, he stated:

From my perspective, the problem was not that the Government consciously placed Woodside’s interests above Australia’s own, but that senior officials at all times simply assumed – whether because of direction to that effect by Ministers or their offices I do not know – that the national interest was identical to Woodside’s.<sup>29</sup>

In light of the data indicating that Australian-based investors own less than 20 per cent of Woodside’s shares, the Committee should investigate why this foreign-owned company received treatment akin to that of a national petroleum company, and the costs and benefits to Australia.

I am available to assist the Committee in connection with my submission.

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<sup>29</sup> Andrew Serdy, Supplementary submission to the Senate Foreign Affairs, Defence and Trade References Committee, Inquiry into Australia’s declarations made under certain international laws.  
[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Foreign\\_Affairs\\_Defence\\_and\\_Trade/EastTimor/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/EastTimor/Submissions) Accessed 15 March 2020.