Parliamentary Business Committees
Joint Standing Committee on Trade and Investment Growth Inquiry into Diversifying Australia's Trade and Investment Profile

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INQUIRY INTO DIVERSIFYING AUSTRALIA'S TRADE & INVESTMENT PROFILE

Matters for consideration:

1.0 Consider if Australia is too reliant on any one market for exports

Australia's trade profile is quite extensive. We trade with some 100 countries of which many are minor players. The dominant export partners (top 15) represented 73% of our export income in 2019 and 80% by value came from Asian countries. Our top 6 buying nations are shown below with China and Japan clearly being the dominant players with the bulk of our exports going to China.

China	32.7% =	$89.2bn US dollars
Japan	9.0% =	$24.4bn
Sth. Korea	5.0% =	$13.6bn
UK	3.8% =	$10.4bn
USA	3.7% =	$10.0bn
India	3.3% =	$ 9.0bn
	58.0% (rounded)	

Clearly China is the dominant player and we are heavily reliant upon China's export trade which is presently closely tied to mineral purchasing – see our top 4 export values in the list below….

What did they buy from us?

Australia's top 10 export values 2019:

Iron Ore	$38.8 bn
Coal Briquettes	$27.2 bn
Gold	$13.5 bn
Copper Ore	$3.2 bn
Wheat	$3.57 bn
Frozen Bovine Meat	$3.13 bn
Wool	$2.24 bn
Aluminium	$2.15 bn
Sheep and Goat Meat	$1.94 bn
Wine	$1.69 bn
Total	**$97.42 bn**

*Minerals exporting has been dominant for several decades. The top 4 items listed here represent 82.7% of our export dollars. This is out of proportion if we were to lose the trade. This is a possibility due to pressures on industry to change power generation methods and to cease certain mining operations. **RISK Value:** Must be considered as a potential national economic risk.*

2. Consider if Australia is too reliant on foreign investment

Foreign investment is not necessarily a bad thing and it has become common for big companies to invest in other countries in order to secure parts of their own economies. Australia itself has become involved and is the 14th-highest country with foreign investment in the world. Total investment inside Australia is funded through normal economic expenditures plus foreign investment which can help fill the gaps.

Examples: In 2018 total internal investment was $455 billion being $414 billion coming from the domestic economy and $41 billion from foreign investment.

Land ownership: China is second in owning Australian farmland being 9.169mha and 23.4% of *foreign-held* farmland. However, of Australia's *total* farmland the UK owns 2.6% followed by China with 2.3% and the US with .07%. Around 90%+ of farmland is still held by Australian incorporated entities. However, what we must be aware of is not the land size or % of ownership necessarily but **the potential value of the land that has been sold!**

3. The Australian industries that attract foreign investment ($bn)

Rank	**By Industry**	**$2016**	**$2017**	**$2018**	**% of total 99%**
1	Mining & quarrying	336.2	343.6	365.5	(37.8%)
2	Manufacturing	94.7	101.8	107.7	(11.1%)
3	Financial & Insurance activities	66.1	73.8	107.5	(11.1%)
4	Real estate activities	75.6	90.8	102.9	(10.6%)
5	Wholesale & Retail trade	53.8	54.7	56.7	(5.9%)
6	Information & Communication	25.1	25.5	26.9	(2.8%)
7	Construction	20.2	24.4	22.4	(2.3%)
8	Electricity, Gas & Water	15.8	20.4	21.7	(2.2%)
9	Transportation & Storage	24.8	20.0	19.5	(2.0%)
10	Accommodation & Food service activities	7.0	6.8	8.7	(0.9%)
	Other/Unallocated	118.3	122.1	128.0	(13.2%)

Again, the danger is the degree of loss of the industries to foreign investment that should be retained by Australia. Whilst we understand that mining is facing future turmoil as alternative energies emerges for some industries, manufacturing should also be a prime concern for retention, development and/or rescue.

Valued manufacturing is decreasing in Australia due to the choice of replacing 'Australian Made' by diverting to offshore supply chains which offer importing that:

- Provides cheaper base costs for the imported finished or assembly-ready goods
- Lessening or elimination of necessary equipment investment
- Lessening requirement of employee numbers
- Stronger concentration of local warehousing only, online retailing with service delivery

Due to current circumstances (i.e. Covid-19/ Fire devastation) Australia has an opportunity to review the situation comprehensively and plan for the longer-term revival of manufacturing.

This can be done with bottom-up targeting i.e. starting/restarting where there is evidential manufacturing capability and thus facilitating the revival of essential goods and services production.

It is no easy task and is one that will take time and sustained support. It has been spotlighted that we need to protect the nations essential goods and service industries plus grow those other industries which are already capable of diversification into higher levels manufacture and /or re-establishment, given the right support.

Recommendation:

We recommend that a serious examination be undertaken by Government of those industries capable of reviving or recreating worthy manufacturing/assembly within Australia. Also, undertaking a review of the policies which allow for direct foreign ownership of valuable Australian resources such as agricultural land, water ***rights*** and other large- scale developments which may be exported to the detriment of Australian production.

National Security should be taken into consideration as part of overall Foreign Investment. Besides border force and the guarding of our borders, telecommunications, water, food, energy and assets such as ports, should not be sold off to foreign investors and should be considered as part of National Security.

Commercial assets should be leasehold and not freehold with conditions applied such as the retainment and/or employment of a certain percentage of Australian workers. This is of importance and relevance to regional areas.

There are cases whereby Australian employees are terminated once a foreign owned newly acquired asset is purchased.

In addition, tighter rules need to be considered on foreign investment whereby owners do not speak one word of English and only purchase the asset for the purpose of gaining permanent residency. Once that residency is granted, the business ceases. The purchaser can still have close ties with its home country and is freely able to travel backwards and forwards without restriction or scrutiny.

All newly owned asset buyers need to pay tax in Australia on their purchases and contribute towards the economy.

Note: Water rights

Table 6: Foreign held water entitlement by country - Top 10

Country	Foreign held water entitlement (GL)	Foreign held water as a proportion of total water entitlement on issue (%)
China	732	1.9
United States of America	720	1.9
United Kingdom	411	1.1
Canada	212	0.5
Singapore	172	0.4
France	139	0.4
Switzerland	136	0.4
Belgium	102	0.3
New Zealand	100	0.3
Netherlands	92	0.2
Total for top 10 countries	**2,815**	**8.2**
Total for all foreign countries[12]	**3,371**	**9.1**
Australian owned portion of water in Register	664	NA
Total including Australian owned portion	**4,035**	**10.4**

4. The impact of global crises including trade disputes

Australia must reconsider its influence on its neighbours in the South Pacific region (e.g. Tonga, Western Samoa, Fiji, Vanuatu) to ensure we keep secure our trade partnerships due to our long-term influence such as financial support to those Island Nations. The large expanding and emerging markets such as Indonesia must also be securely partnered with if we are to gain the most from the nearby regions.

We are in the prime position to negotiate, secure, support and grow our export/import relationships with these nations. China has been (is) attempting to influence these neighbours as a policy of gaining entry and forming tighter relationships to serve it future expansion planning into the Asian territories. A potential danger is that China will secure a foothold which would be the beginning of a gradual dominance in the South West Pacific including in our Northern Geographies, to the detriment of the Australian influence.

Indonesia is a nation of growing importance in the region and one with whom we must shore up our relationship for numbers of reasons not the least of which would be our future national security.

5. The impact of bilateral trade agreements on Australia exports

Without foreign investment Australia would not have the financing available to spend on essentials such as hospitals, schools, transportation and other essential services. Consequently, Australia has concluded free trade agreements (FTAs) with the 11 countries shown below and should continue to expand the list as the opportunities arise:

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) became effective 30 December 2018. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam.
- China (ChAFTA – effective 20 December 2016)
- Japan (JAEPA – effective 15 January 2015)
- Republic of Korea (KAFTA – effective 12 December 2014)
- New Zealand (ANZCERTA - effective 1 January 1983)
- Singapore (SAFTA – effective 28 July 2003)
- United States (AUSFTA – effective 1 January 2005)
- Thailand (TAFTA – effective 1 January 2005)
- Chile (Chile FTA – effective 6 March 2009)
- ASEAN (Australia/New Zealand FTA January 2010)
- Malaysia (MAFTA – effective 1 January 2013).

China = Australia's largest trading partner for agriculture exports of $13.6 billion in 2017-18 financial year.

The China-Australia Free Trade Agreement (ChAFTA) has been in place since 20th December 2015. The agreement provided significant opportunities for Australia's agriculture, food, fishery and forestry products such as beef, livestock, dairy, wine, seafood, horticulture, barley and other grains.

Cancelling such a trade agreement would cause distress in some agricultural quarters which may not be able to be taken up by our other trade partners. It is therefore sensible to search for general trade expansion, as Australia is doing, on an ongoing basis. Australia trades with some 100 nations, many of which are minor and/or intermittent.

Therein may lie an opportunity to encourage growth from those minor players by ensuring we are regarded as a secure and reliable partner. It is also considered sensible to prevent China or any other nation, from continuing to expand its direct ownership into Australian agricultural land, businesses, education, goods and services which would provide them with stronger access rights over time.

All foreign investment must be treated the same way for Australia to remain in control of its own assets, such as its water rights, agricultural production and other exports from Australia, via underhand means or through taxation loopholes.

Australia is an island nation which cannot afford to be penetrated by other nations of influence in ways that may undermine our security, change our culture or weaken our democracy.

We are envied and must remain alert to protect who we are and what we believe in – strong penetration by other nations can bring about change, given enough time.