



DEPARTMENT OF
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FOREIGN INVESTMENT IN AUSTRALIA

The following is the text of a statement on foreign investment in Australia, made by the Australian Prime Minister, Mr Whitlam at the Australia-Japan Ministerial Committee Meeting in Tokyo on 29 October 1973:

"The Australian Government recognises that foreign investment in Australia is a matter of special significance for relations between our two countries. Australia is endowed with mineral resources of world importance. The proper development and prudent use of these resources is basic to our economic progress and growth. They are also of direct concern to you as a large and long term importer of raw materials. The policies that we pursue in the development of our natural resources and the nature of the partnership that is established between Australian and Japanese investment will be a major factor in the future of our two countries and of our region.

As you are aware the policy of my government is to adopt a more selective approach towards foreign investment in Australia than hitherto. No longer is there a wholly uncritical approach to foreign investment. We intend to ensure that foreign capital inflows are associated with productive investment which adds to Australia's real resources and brings us benefit.

This does not mean that we have no wish to see further overseas capital flow into Australia.

In the past foreign investment has made a very great contribution to the development of the Australian economy. Within a generation Australia has developed from a largely agricultural and pastoral economy into a modern, increasingly industrialised and diversified economy.

The resources and know-how that the flow of overseas investment has brought have been of great value in this development.

We believe that overseas capital must continue to play a significant role, in partnership with Australian capital, in our future economic growth.

There is no general prohibition on foreign investment in Australia.

My government has the firm policy objective of promoting Australian control of Australian resources and industries. We also want to achieve the highest possible level of Australian ownership of our resources and industries. By the phrase "the highest possible level of Australian ownership" we mean the highest Australian equity that can be achieved in negotiations, project by project, that are fair and reasonable to both parties and are within the capacity of our own savings to support. However in some special energy case, which I shall mention shortly, we do have a particular objective of 100 per cent Australian ownership.

There will be no discrimination against Japanese investment. Japanese investment will continue to be given treatment as favourable as that extended anywhere else.

This policy is being applied in a pragmatic way and all cases will be considered on their merits. This already applies in our examination of proposals under the Companies (Foreign Take-overs) Act. We aim to make our judgements taking into account the full circumstances of each new project or proposal, including such factors as the size and location of the proposed project, the use made of advanced technology, marketing arrangements, environmental aspects, labour relations and Aboriginal interests.

There are certain industries where we regard Australian ownership and control of particular importance. These relate especially to sources of energy where growing world shortages and other factors make this essential. Uranium is one of these energy sources and we have an objective

of full Australian ownership in development projects involving uranium. We also regard this as a desirable objective in oil, natural gas and black coal.

We recognise however that Australia's resources of capital and technology are relatively limited, that the size of the projects to be undertaken is often very great and that we shall need to call upon overseas expertise, technology and capital to contribute to the proper development of these vital energy resources. Thus while we seek to require equity in new projects involving these four minerals to be in Australian hands. We do look for overseas participation in some ways: through access to technology, loans and especially long term contracts. The Australian Industry Development Corporation - A.I.D.C. - is a basic means by which the government will seek to ensure Australian equity and control and there are important areas in which A.I.D.C. will be able to work both with overseas companies and Australian investors. Proposed increases in the percentage of foreign equity in existing projects which already have high overseas equity may well be subject to particularly close scrutiny. Our general object is to moderate such holdings in these projects.

For other minerals our approach is more flexible. We desire partnership between Australian and foreign equity capital. I want to make it quite clear that there is no proscription of foreign equity participation in mining.

The nature of the partnership between Australian and foreign equity capital that is appropriate in each case will need to be assessed on its merits. In some circumstances it may be acceptable for foreign investors to participate significantly in decision-making in a project. The size of the project, the amounts involved, and the type of mineral are all factors to be taken into account. In pursuing our objectives we shall be flexible and guided by the practical needs of particular cases.

It is not our aim to have a different set of criteria for overseas participation in mineral exploration from those for participation in the development of proved mineral deposits.

In the uranium field in particular, and desirably also in oil, we aim to adopt the same sort of approach in exploration as I have already outlined for development of these minerals. However, in order to maintain a desirable level of exploration activity, we would, if necessary, accept a lower level of Australian ownership in exploration.

Given the limited Australian capital resources available and the higher risks usually involved in exploration, there is, however, much to be said for concentrating Australian equity at the production stage.

In some other sectors, successive governments have for decades restricted foreign investment. These include banking, civil aviation, radio and television and are no doubt well known to the Japanese government. Moreover investment from overseas for the establishment of new foreign-controlled life and general insurance companies is generally not favoured.

The government intends shortly to introduce legislation to control the activities of major non-bank financial institutions. Further overseas investment for the establishment of non-bank financial institutions is not favoured.

In relation to foreign investment in real estate, the Treasurer indicated in a statement issued on 20 March 1973 that overseas interests should not enter into significant commitments for real estate purchases in Australia for the time being and that the Reserve Bank would not normally grant exchange control approvals for foreign investment in real estate. The policy on this matter, which relates to rural as well as urban land purchases, is under intensive study. In the meantime any specific proposals will be examined on their merits.

Let me emphasise however that in the generality of cases, for example in investment in manufacturing, our approach is a pragmatic one and that proposals by Japanese firms will be given equal weight to those by interests from other countries.

The Australian government believes that the policies on foreign investment, while designed to ensure a more selective approach than in the past, provide a framework which is flexible enough to allow mutually acceptable and beneficial arrangements through fair and reasonable negotiations. Our policies should establish relations between Japan and Australia on a sounder footing. If, there are any particular cases or questions that you have in mind, we would be happy to discuss them, either in the present meeting or subsequently.