For many years Australians have become accustomed to continuing economic development at home. Development has become almost taken for granted and we often haven't thought very much about the forces which have made it possible.

One of the most vital forces has been the steady injection of overseas capital into Australia. The Government has long made it plain that the most welcome overseas capital is that employed in partnership with Australian owned capital. However, there has been an increasing trend towards overseas ownership in Australia and the Government has undertaken an initial study of the complex problems which it raises.

A more detailed study is now necessary and the results will be announced as soon as practicable.

However, in respect of one particular form of overseas ownership and control - foreign takeovers - the Government has decided that action can be taken without awaiting the final outcome of that full review. Foreign takeovers are an emotional kind of thing. They can result in control as well as ownership passing from Australian to foreign hands, and sometimes foreign takeovers also result in limiting competition. People and governments are fully justified in being concerned about this.

On the other hand, of course, foreign takeovers can revive an ailing company or they may be made at a price permitting the Australian recipients to reinvest the proceeds at a considerably increased return.
The Government policy has long been that it should do all it can to prevent a particular takeover when it was considered to be against the national interest. Under the policy announced in May, takeovers likely to limit competition will be subject to examination and report by the Monopolies Commission which is to be established.

But more has to be done and the Government is acting firmly. We intend to legislate to prevent foreign takeovers considered to be against the national interest.

In this talk, I won't try to cover all the ways in which we, the Government, will judge what is and what is not against the national interest, but I should say that foreign takeover proposals, which the Government believes warrant detailed investigation, will be referred to an independent authority to be analysed, and decisions on individual cases will be taken by the Government after consideration of the independent authority's report.

The Government has made three other associated decisions to deal with the problem of overseas investment in Australia. Firstly, we have decided to act to reduce the level of short term borrowings by Australian residents overseas. Secondly the Government proposes to abolish the guidelines which, since 1965, have limited the freedom of overseas-owned companies to borrow in Australia. The situation has changed since then. The need now is to limit overseas borrowings, not to encourage them by restricting local borrowing.

At present portfolio investment, particularly by Australian residents, is not permitted. We have decided to relax this policy while retaining the need for exchange control approval of such transactions.

The Government's decisions have not been taken lightly. Australia has benefited greatly from overseas capital in the past and we continue to welcome it on fair and reasonable terms. We aim to have greater Australian participation in
overseas-owned companies. Our concern is to see that overseas capital is employed in Australia in real partnership with Australian-owned capital.

In the last week, we have all seen what we can only regard as utterly unexpected rises in the price of wool.

What has happened in the last few weeks reminds us of one of the main deficiencies of the present method of selling wool. The auction system accentuates every rise and every fall.

It is very pleasant for growers when the price is on the up, but we know from past experience that it does not last forever.

The nature of the auction system has built into it what many regard as an inherent instability. And while I am delighted for every grower who is getting the benefit of higher prices at the moment and I certainly hope it persists throughout the whole season, I also hope that it does not weaken anyone's resolution to press for marketing reform.

In their own way, the tragedy of the fall last year and the extent of the rise this year both demonstrate and underline the basic need for reform to bring long term stability to this industry. Our legislation to establish a new powerful Australian Wool Corporation is evidence of the Government's determination to achieve this.
Library Digitised Collections

Author/s:
Fraser, Malcolm

Title:
Overseas investment, price of wool

Date:
8 October 1972

Persistent Link:
http://hdl.handle.net/11343/40582

File Description:
Overseas investment, price of wool

Terms and Conditions:
Copyright courtesy of Malcolm Fraser. Contact the University of Melbourne Archives for permission requests.