

Coalition must beware wacky ideas on foreign investment

Peter Costello



There was something odd when the Coalition leadership recently released its Discussion Paper on Foreign Investment. Tony Abbott and Joe Hockey went to great lengths to praise foreign investment: "We need it, we want it" (Abbott), "since 1788 Australia has relied on [it]" (Hockey). They had such a fervour the hearer was left wondering why there are any restrictions at all and why the Coalition was proposing to tighten them.

In fact they were communicating a dual message: one to MPs who reflect rural discontent about foreigners investing in agriculture; the other to business, which wants to be assured about the Coalition's economic policy.

There is nothing wrong with screening foreign investment, and

nothing wrong with rejecting it if it fails the national interest test. This is the current law. It was the basis on which I ruled out Shell's bid to take-over Woodside. The Coalition does not propose to change that test. At most it proposes new compliance and reporting requirements. These will increase the cost of transactions and provide new work for lawyers and lobbyists, but won't change the ultimate test for making decisions, which is the critical thing.

Further pronouncements on the matter will be the responsibility of Hockey. This puts foreign investment policy right where it should be – with the Treasury spokesman, in the hands of someone sensible on the issue.

If that was all that had happened it would hardly be worth noting. But in fact this is the first of what will be a number of policy showdowns

between economic rationalists and rural populists in the Coalition. This time the right outcome has prevailed.

The current flare-up was sparked by the renewed interest of foreign investors in Australian agriculture. With global population growing and standards of living rising, prices for

rural commodities have increased after long years of decline. Investors are offering higher prices to buy farms. No farmer has to sell and you might think that farmers would be glad to see the value of land rising. But, the critics say, if foreigners own farms then wool, wheat and meat might go overseas and leave us with food shortages. It overlooks the fact that we produce enough to feed our-

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selves several times over and have been growing these things for export since the day John Macarthur brought the merino to Australia.

Others claim that if foreigners produce too much food, then export prices might fall. Why a foreign investor would buy into land at a time when their returns are going to fall is a bit of a mystery. But the Coalition promises to take this into account

when assessing proposals against the national interest test. Fair enough. It doesn't mean anything, as long as it is not the first step in putting greater barriers in the way of investment.

Mollifying the backbench is OK but there has to be a limit. Sometimes even the backbench needs to hear why the knee-jerk response is not the right one. Leaders need to explain policy to their own followers – as much as the public – to refute misconception and disinformation.

Recently the NSW National Party Senator John "Wacka" Williams called for an ombudsman to be given power to force supermarkets to increase prices. He wants them higher. According to the senator, low prices are reducing returns to producers.

Now I know Senator Williams and he is a fine man. One should give a lot of leeway to a person who goes by the nickname of "Wacka" in public life. But a statement like that should draw a response from political leaders, lest people start thinking it is serious. The role of ombudsman was invented to protect citizens against powerful interests – originally government. Ombudsmen are there to empower

individuals – the kind of people who benefit from lower prices. It is not the role of the state to make people pay more than they have to for food. The banking ombudsman is not there to direct banks to put up fees. The legal ombudsman is not there to assist lawyers increase their charges. Ombudsmen are there to help consumers.

A government has to decide whether it is for the consumer or the producer. If it is for the consumer it will want a competitive economy that puts retailers and producers under pressure to cut prices. If it wants to assist producers it will need a lot of price regulation – in fact a good deal more than an ombudsman can provide – to guarantee their returns.

The Coalition has committed to a "root and branch" review of competition policy. This will be another showdown between rational economics and rural populism. Before it can decide its policy it needs to resolve the threshold question: whose interests are paramount? If the answer is the consumer, it will not stray too far off course.

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