



In 1970 the then Leader of the Country Party, and Deputy Prime Minister, the Rt.Hon. J. McEwen, introduced legislation for the establishment of the Australian Industries Development Corporation. His reasoning was that such an investment bank was needed to "buy back the farm", or regain Australian ownership of its mines, farms and industries.

According to the Act introduced at the time, its purpose was "to assist in the provision of financial resources required by Australian companies engaging or proposing to engage in industries in Australia concerned with manufacturing, processing or treating goods, or with the recovery of minerals, for facilitating and encouraging the establishment, development and advancement of those industries".

The Bill to introduce the A.I.D.C. met with strong opposition from a number of Liberals, including Mr. McMahon. This was understandable. While the concept of restoring Australian ownership was a worthy one, a corporation such as the A.I.D.C. was ominously close to the marxist concept of "nationalisation by investment".

The danger was that, under the guise of retrieving Australian ownership, such investment in private companies could render them liable to government control, and finally nationalisation. There was, however, no doubt that the Bill would pass before Parliament. It was solidly supported by the A.L.P. as well as the Country Party.

Speaking in the House of Representatives in August 1973, on a Bill to increase the powers of the A.I.D.C. even further, Dr. Cairns said: "Three years ago, when legislation to establish the Australian Industry Development Corporation was before this House, the Labor Party, then in opposition, welcomed it with enthusiasm, but we saw from the beginning that A.I.D.C. as then structured could not be expected to stem the rising tide of foreign ownership and control in Australia, let alone reverse it. The Australian Industry Development Corporation was formed at a time of capital scarcity in Australia. Large amounts of capital were needed for big new mining ventures and in the main, it had to come from overseas. Whether it was venture, capital or loan money, when brought in by foreign corporations, it added to foreign control of Australian resources." It seems to be a gap in the thinking of many politicians to believe that, by governmental borrowing from overseas, and the re-lending of that money to

industry, the dangers of foreign ownership are lessened. Great Britain, waiting in fear and trembling for the terms of the International Monetary Fund on the latest loan application, may just be waking up to the fallacies of such reasoning.

#### CLOSED SHOP.

Once formed, the A.I.D.C. was immediately given privileges unavailable to any other Government body. Staff members were not subject to the usual scrutiny of the Public Service Board, and were able to obtain financial terms not available to other Public Servants. Writing in the National Times (March 15-20, 1971) Alan Wood showed that officials with the A.I.D.C. were being offered housing loans for 95% of their requirements at 4% interest, 2% less than other Government employees. Alan Wood went on:

"The Bill setting up the corporation was virtually drafted to Sir Alan's (Westerman, Executive Director) desires, and is a remarkable document. The A.I.D.C. is to be unique among institutions backed with public funds in that it will not be subject to scrutiny by the Auditor-General. The corporation appoints its own auditor, and he is not empowered to consider 'whether the corporation has complied with its obligations under Section 8 of this Act'.

Section 8 requires, among other things, that the corporation conduct itself in accordance with sound business principles and lend only to companies that it is satisfied will operate in an efficient and profitable manner. But the final sub-section of Section 8 of the Act absolves the Commission from this responsibility. In the Draft Bill it read: "The Exercise of any powers by the corporation is not invalid and shall not be called into question, by any failure of the corporation to comply with any of its obligations under this section." This wording was amended in the final version of the Act, but the spirit of the original version remains. The Bill was bullied through Cabinet, put perfunctorily before a Government Party meeting and introduced as a 'fait accompli' to quote NSW Liberal M.P.

Mr. B.H. Turner." (End of quote)

# LABOR PUTS TEETH IN A.I.D.C.

With a change of Government in 1972, and with Mr. R.F.X. Connor in charge of mining development, it wasn't long before there was a wider role for the A.I.D.C.

Under the heading "A.I.D.C. Bending The Rules". The Australian (11.8.73) reported: "The Australian Industries Development Corporation appears to be breaching its Charter in its ability to borrow loan funds and to purchase equity in local operations ... A spokesman for the A.I.D.C. admitted at the time that the Corporation might have to exceed its Charter, but future developments would permit the transaction ... The Labor Government has promised a greater role for the A.I.D.C. The Minister for Minerals and Energy, Mr. R.F.X. Connor, indicated yesterday that foreign and local companies that resorted to the corporation for funds would have to be content with a "semi-governmental" interest rate plus other unspecified "sweeteners". One of these sweeteners is apparently a guarantee of a long-term supply contract for the mineral they helped finance. It is interesting that even before the change in government, the A.I.D.C. went to the local capital markets to obtain funds."

#### GOVERNMENT CONTROL.

Thus the A.I.D.C. was emerging as a body which offered both foreign and local investors a government backed gilt-edged security, and at the same time took its place on the boards of any companies to which money was lent - all under the guise of 'buying back the farm'.

With the change of government in December 1975, Australians were told that foreign investment was urgently required to repair the economy. No more was heard about the importance of buying back the farm. Industry at any price was the new slogan.

The emphasis of the great world monopolists has been to control energy, natural resources and raw material. Those that can do so can effectively control nations. It has been the Rockefeller control of oil which has made the Rockefeller Empire insuperable on a world scale. Recently we have seen the emergence of OPEC as a body with the power to make or break nations.

Australia is uniquely placed to control her own destiny, provided she can retain ownership and cor crol of her own energy

requirements, from which all industrial initiative is sprung.

The International Financial groups want ownership and control of the world's energy resources. Whether they achieve such a goal through private or governmental investment is immaterial—"he who pays the piper call the tune".

### OPENING THE INTERNATIONAL DOOR.

The A.I.D.C. is now openly courting foreign control through loan raising. The Australian (6.9.76) reported:

"The Australian Industry Development Corporation is to make the first Australian dollar bond issue in the European capital The issue represents an important step forward toward acceptance of the Australian dollar as an international currency. A select group of Australian borrowers, including the A.I.D.C., have made Eurobond issues in the past, but they have been denominated in other currencies, mainly the U.S. dollar. The A.I.D.C. breakthrough may encourage large local companies to attempt Australian bond issues. Because there is no pool of Australian dollars overseas, all payments of principle and interest will be made in U.S. dollars, but at the market rate prevailing for the Australian dollar at the time. The issue will seek \$15 million. It will run for seven years with an expected annual interest rate of 10 per cent and be issued at a small discount. In Australia interest is normally paid every 6 months and on this basis the rate is equivalent to 9.75 per cent.

A major difference between the A.I.D.C. loan and previous Eurobond issues is that the lenders carry the exchange rate risk instead of the borrowers.

Leaders of the issue are J. Henry Shroder Wagg and Co. and Bank Gutzwiller, Kurz, Bungener (Overseas) Ltd.

The co-managers and underwriters are Algemene Bank,
Netherlands NV, Arab Finance Corp., SAL, Banque Bruxelles
Lambert SA, Banque Populaire Suisse SA, Luxembourg Citicorp
International Bank Ltd. Commerzbank AG, Compagnie Finanziaria
Intermobiliare Spa, Credit Commerciale de France, Hambros
Bank Ltd., Hill Samuel and Co. Ltd., IBJ International Ltd.,
Manufacturers Hanover Ltd., Merrill Lynch International and Co.,
Orion Bank Ltd., Union de Banque Arabes et Francaises, Ubas."
(End of article)

#### FOREIGN CONTROL OF LAND.

It is often correctly pointed out that a young country needs to develop 'know-how' which is not yet available on a local basis. But that is only occasionally the case in Australia. Apart from overseas ownership of mining and manufacturing, consider the overseas investment in primary industry, which has been steadily growing during a period when hundreds of thousands of Australians have left the land. In one sector alone - the Dairy industry - the 20 year period between 1956 and 1976 saw over 90,000 Dairy farmers leave the industry.

Writing in the <u>Toowoomba Chronicle</u> (29.11.76) two economic lecturers from the <u>Darling Downs Institute</u> of advanced education, Vernon White and Laurie Welch, reported:

- (1) A Federal politician stated in 1970 that figures were not available for the whole country, but that in New South Wales alone he knew that 50 million acres were owned by foreign companies.... The Wall Street Journal, published in the United States, stated in 1970 that between 60 and 70 per cent of the most fertile northern one-third of the Northern Territory was held under long-term leases by Americans. The journal also said that the American Embassy in Canberra had a list of over 3,000 American landowners in Australia.
- (2) A later statement by the Director of Lands in the Northern Territory said that Americans held 50 per cent of the area in question, and that the other 50 per cent was British and Asian owned.
- (3) Non rural land has also attracted foreign investors. The Australian Financial Review has reported from time to time, multimillion dollar investments in urban areas spearheaded by foreign corporations.
- (4) The Treasury Economic Paper on Overseas Investment in Australia shows that in the past five years (1967-71) over 11 hundred million dollars has been invested in primary production in Australia by overseas companies.

There are statistics avilable on the degree of foreign ownership of the food processing industry. These are disturbing in some ways.

The food, drink and tobacco industry is 28 p cent controlled

from overseas. But the pattern of foreign ownership is not consistent and in certain areas a figure much greater than this is indicated.

For example, the meat works at Rockhampton (Lake's Creek), Townsville (Ross River), Ipswich (Redbank) and Sydney (Riverstone) are all 100 per cent foreign owned. In fact, they are all owned by one firm (Union International Co. Ltd.) which also owns W. Angliss and Co.

Add to this list the other meat processing firms which are partially or wholly owned overseas - Amagraze Ltd., Australian Casing Co., Thomas Borthwick Ltd., Jacksons Corio (second in size only to Borthwicks) and it becomes obvious that Australian Beef producers have already lost control of that end of the industry.

In fact, there are over 350 foreign controlled food processing companies in Australia. These include some of the really big ones such as H.J. Heinz, Kellogs, Cottees and Nestles."

The Morning Bulletin (23.3.72) reported: "Japanese investment in Australian resources industries would be about \$100 million annually for the first half of this decade, a Senate Committee was told yesterday. It is clear that Japan recognises the potential of Australia for investment in raw material and other industries, the Department said in a submission to the Senate Standing Committee on Foreign Affairs and Defence."

Included in this Japanese investment was involvement in beef production, and also wool processing, the most lucrative part of the total wool industry.

# BIG FLEAS.

There is an old saying - "Big Fleas have littler fleas upon their backs to bite 'em: and little fleas have littler fleas, and so ad infinitem".

The giant multi-nationals are moving in and taking over the once home-owned insutries of nations. But the multi-nationals are themselves controlled by the international finance brigade. Once in that sort of League, the international financiers do not care overmuch whether they lend to multi-national companies

or national governments.

# CAN WE FINANCE OUR OWN DEVELOPMENT?

Writing in the Sunday Mail (Qld. 25.4.76), noted economist H.W. Herbert, under the heading "Don't sell up the Farmland" made these important remarks:

"Total capital inflow must meet the economic requirement that the Fraser Government does not mention in its new guidelines policy - the need to boost our sagging overseas reserves. This is by far the hardest piece of economics for politicians to understand, because it is double-barrelled. Joe Blow, M.H.R., is baffled straight away. How can money coming into Australia boost our overseas reserves?

It is not the same money. The foreign currency stays overseas and boosts our reserves. An equivalent amount of new Australian money is created by the Reserve Bank and credited to the foreigner's Australian Bank account.

An understanding of the process of capital inflow is basic to a logical foreign ownership policy, and also important to

internal monetary policy.

For example, how can Mr. Lynch put a squeeze on the internal expansion of money and yet welcome unlimited capital inflow, which expands internal money just as surely as does easier bank credit or a Budget deficit?

Mr. Fraser, busy cutting Government spending and creating unemployment, would be better engaged cutting Australian spending on imported goods and services. This would not only create more employment here, but would increase our overseas reserves (or run them down more slowly) and enable a harder line to be taken on foreign ownership... For twenty years we have been out with the begging bowl. An ornate and gilded bowl it is, with enticing inscriptions like "Help us develop our vast natural resources", and "We look to you for the great amounts of capital we cannot raise locally" (A lie: we do raise it locally by creating counterpart funds).

It is a begging bowl all the same, and it should be inscribed "Lend us your foreign money to pay for our lavish taste in imports" and "We will spend your money on local projects we could

easily have done ourselves, like open-cut mining, building office blocks, running insurance companies and merchant banks."

Where a project has technical complexities new to us, like deep sea drilling, we can let service contracts, as the Japanese have done.

You can hire experts on everything, without sacrificing owner-ship... So a logical Australian ownership policy would be:-

(1) Tell us that we only need foreign ownership and foreign borrowing to the extent that we import more than we export. Put this right first.

(2) Use foreign capital (if at all) only on those projects which are technically beyond us. How few they are!
We built a modern steelworks back in 1915.

(3) Vary percentage ownership rules according to success with the trade balance." (End of quote)

Mr. Herbert is realistic. But Australia has been presented with a choice of foreign ownership via a socialistic investment bank under Labor, or direct foreign takeovers under a Coalition. Either way, the international money boys will soon have Australia in the bag.

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