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We Have to Sell the Farm

By Andrew Leigh

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An iron law of populism is that while Australian businesspeople investing abroad are portrayed as job-creating entrepreneurs, foreign investors are depicted as rapacious robber-barons.

And so it is with the latest tabloid campaign against foreign investment. Under headlines such as 'Chinese buying up our farms', 'It's time to stop selling off the farm', and 'It's time to save our farms from foreign investors', News Ltd tabloids have recently embarked upon a fear campaign against foreign investment in Australian agriculture. With anecdotes taking the place of statistics, foreign investment has been labelled 'a dramatic global land grab', fed by 'a looming global food shortage'.

For a country whose agricultural sector has benefited substantially from foreign investment, this is odd stuff indeed. In 1855, British investors helped kickstart our local sugar production industry when they established CSR (originally Colonial Sugar Refinery). In 1877, American firm Schweppes opened its first Australian factory - as did Kraft and Kellogg in the 1920s. Japanese investment in Australia's beef cattle sector has been important since the 1970s. Today, the largest foreign investors in Australia are still Britain and the United States.

As a resource-rich nation with a relatively low domestic savings rate, Australia has traditionally looked abroad to fill the investment gap. On one estimate, one in eight workers are employed by a foreign-owned firm. If we were to ban all foreign investment tomorrow, wages would fall and unemployment would rise. An Australia without foreign investment would also risk missing out on the latest overseas know-how. From technology adoption to business processes, foreign firms can often help spur innovation by changing the way that things are done.

Naturally, this happens in both directions. In a typical year, Australia's outbound foreign investment is about two-thirds the size of our inbound foreign investment. In our regional neighbours such as New Zealand, Papua New Guinea and Singapore,

Australian firms are major sources of outbound investment. Where our investors set up shop abroad, they show local firms a new way of doing business. In the process, Australia's overseas investors help raise living standards in those nations.

This is not to say that foreign investment flows unrestricted into Australia. Formalised by the Whitlam Government in 1975, the 'national interest' test applies to a wide range of investment classes across the economy. The Foreign Investment Review Board (FIRB) must approve foreign ownership that exceeds 15 percent (where the firm worth \$231 million or more). FIRB must also sign off anytime an overseas resident wishes to buy residential real estate.

Importantly, FIRB has a veto right over *any* investment by a foreign government - including farms. In addition, banks, media outlets, airports, Qantas and Telstra are subject to special conditions. While FIRB rejects relatively few applications outright, most approvals are given subject to particular conditions. According to its latest annual report, agricultural investments that are subject to the FIRB process comprise [less than 2 percent](#) of the value of all FIRB-approved foreign investment.

Compared with other developed nations, Australia's regulation of foreign investment places us at the more restrictive end of the scale. For example, work by the OECD's Takeshi Koyama and Stephen Golub [classified](#) countries' foreign investment regimes on a scale from 0 (unrestricted) to 1 (completely restricted). They scored Australia at 0.28, above the OECD average of 0.15. Given that Australia's foreign investment review regime is rated as more stringent than that of Britain, Canada, New Zealand and the United States, it is hard to give much credence to suggestions that FIRB has somehow been toothless.

For decades, Australia's economic policymakers have recognised that our nation's prosperity relies on being enmeshed with the world. Since the time of white settlement, immigration and trade have been a part of Australia's social fabric: producing a nation in which one-quarter of the population are born overseas, and exports make up one-fifth of the economy. Integral to an outward-looking Australia must be an appreciation that well-regulated foreign investment brings significant benefits for our nation.

Most ironic about the recent tabloid campaign against foreign ownership in agriculture is the fact that the newspapers responsible are themselves owned by US citizen Rupert Murdoch. Indeed, if a campaign were to be waged against foreign ownership in the media industry, you would expect these newspapers to be among the first to describe it as economic populism. It's funny what happens when the pitchfork is in the other hand.

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