

TITLE: In whose 'national interest' is it?

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Free trade is overrated and collective ownership is underrated. It's not the lefties and the greenies saying that, that's what the Coalition government and some of the biggest businesses in Australia are saying.

While most people pretend to support free trade "in principle", in practice most of them lose their enthusiasm. In principle, you could write a free trade agreement on one page as long as it included the sentence "there will be no reductions on trade, no exceptions". Instead, these documents run to thousands of pages because they have to specify all of the exceptions to the agreed "principle" of free trade.

Tony Abbott has declared Australia "open for business", but his government decided to disappoint one of its first big customers by knocking back Archer Daniels Midlands' bid to buy 100 per cent of GrainCorp. Joe Hockey decided it was not in the "national interest". Of course, what he meant to say was that it wasn't in the Nationals' interests.

But Abbott and Hockey aren't out of the woods yet.

The Canadian dairy giant Saputo is bidding for Warrnambool Cheese & Butter – a takeover target that the co-operatively owned Australian dairy giant Murray Goulburn would also like to own.

If the Canadians are allowed to buy Warrnambool Cheese, competition in the Australian dairy market will be maintained, but the level of Australian ownership will be diminished. If Murray Goulburn is allowed to buy Warrnambool Cheese, Australian ownership will be enhanced at the expense of less competition in the domestic market.

Unlike the GrainCorp decision, Hockey was quick to give the Canadians foreign investment approval to buy Warrnambool Cheese. Murray Goulburn, however, says its Australian dairy farmer-owners are being disadvantaged because they need approval from the Australian Competition Tribunal – a process that could take up to six months.

Who knew free trade and free markets relied so heavily on the decisions of politicians?

Good old-fashioned competition, which funnily enough involved a lot of competitors, used to be thought of as a good thing. These days politicians, the business community and what's left of the economic rationalists want "national champions" instead of bitter rivalries. The new version of "competition policy" seems to favour one or two big companies which will have a chance of winning the intentional "competition" to be the biggest and most profitable.

So, in this new world order where free trade agreements take thousands of pages and the goal of competition policy is to reduce the number of competitors, what should Hockey do about Warrnambool Cheese?

"COMPETITION POLICY"

Australia's "competition policy" has allowed Coles and Woolworths to control the largest market share of any grocery duopoly in the developed world. They have used this to put some real pressure on the dairy industry, so letting the dairy industry muscle up wouldn't be a bad response.

The economics textbook tells us that we shouldn't be too worried about ownership. Put simply, why should Australians think warmer thoughts about foreign capitalists than they do about Gina Rinehart? But the economics textbook assumes that the traditional version of competition would keep the pressure on firms to behave. But under the new world order where duopoly is "competitive", the textbook conclusions aren't terribly relevant.

Murray Goulburn isn't just any Australian company. It's co-operatively owned by the farmers who supply it. The profits it makes are invested back into its suppliers, their industry and their communities. Communities largely represented by the Nationals.

While the economics textbook might not care about ownership, the Nationals likely do.

Governments here always have, and always will, intervene in decisions about trade and foreign investment. And when they do so, they always claim to act in the "national interest". The problem for Abbott is going to be distinguishing between the national interest and the Nationals' interests.

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