

TITLE: Selling out our country

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The Nationals are worried about Chinese farm ownership yet it's European mine ownership that's harmed farmers

Australians, it seems, don't like selling off the farm. And the National Party really doesn't seem to like selling them to the Chinese. But while the Nationals have a long, if not always proud, history in Australia it is interesting that we seem to care far more about selling off the farms on top of our vast continent than we do about selling off the enormous mineral deposits underneath it.

The biggest miners in Australia, BHP Billiton and Rio Tinto, are majority foreign-owned. The third largest, Xstrata, is 100 per cent foreign-owned. All up, 83 per cent of mining profits in Australia flow to the foreign owners of the mining giants that operate in Australia.

There is no doubt that Cubbie Station in Queensland is a big farm. But its purchase by Chinese investors for about \$300 million pales into insignificance when compared to the \$10 billion mining investment by China in 2010-11.

But Chinese investment in Australia is small beer compared with British and American ownership of our resources. Indeed, last year 34.9 per cent of the \$87 billion in dividends and other income flowing out of Australia went to Britain and the United States compared to only 0.7 per cent to China.

If you listen carefully you can hear the dog whistle of some Australian politicians trying to distinguish between their enthusiasm for selling off our assets to Anglophone countries and the muted concerns with Asian investors.

While Cubbie Station is "sold off," Xstrata provides us with "access to capital". Of course the two phrases mean exactly the same thing in the national accounts but that's not the case in the national debate.

Ironically, while the National Party has expressed far more concern with Chinese farm ownership than European mine ownership, it is the latter that has caused farmers far more pain. The mining boom, the flood of foreign capital into our mining industry, and the subsequent record high exchange rate is literally pushing some farmers out of the way while simultaneously pushing other farmers to the wall.

Much has been made, quite rightly, of the impact of the high dollar on the manufacturing industry. But the high dollar is also making life much harder for farmers trying to sell meat, grain or sugar onto the world market.

Every new mine built by foreign owners drives the Australian dollar higher, but while the Nationals rage against the "sell-off" of Cubbie Station, there is virtual silence about the need to rein in the rate of expansion of the mining industry. In fact, we spend \$4.5 billion a year of taxpayers' money subsidising its rapid expansion. In recent years there has been much talk about the extent to which Australia relies on the mining industry, especially in terms of the value of exports it generates. But in reality, the mining boom has done nothing to improve Australia's trade performance, and our current account deficit is set to hit 6 per cent of GDP in 2013-14 according to the budget papers - that's Banana Republic levels. Remember the current account deficit peaked at 5.6 per cent in 1985-86.

How could this be? How could Australia's trade performance be so lacklustre in the middle of our largest ever mining boom? It's simple really. First, the high exchange rate associated with increased world demand for our mineral resources has simply crowded out exports from agriculture, manufacturing and tourism. Put simply, the mining boom is great for mining exports, but not for Australia's exports.

The second problem is that all of the foreign capital flooding in to buy up old mines and build new ones adds further pressure to the exchange rate.

And finally, the high dollar means that imported cars, imported appliances and overseas holidays become much cheaper in relative terms and, in turn, Australians buy lots more of them.

Despite the determination of our politicians to suggest otherwise, issues like foreign ownership cannot be described as either "good" or "bad".

The benefits and consequences of "selling off the farm" are more subtle, and more complicated, than the modern political slogan can deal with.

That said, you would think that those who are determined to make subtle issues seem clear-cut would at least be consistent, but, it seems, the only thing more important than simplicity is political expediency.

Demonising Chinese investment is politically easy in Australia, but demonising US or UK investors, on the other hand, is an all-new ball game. So while Barnaby Joyce is loud in his condemnation of foreigners buying up farms he is virtually silent about the massive transformation of the Australian economy that has already cost farmers billions.

There may be some subtle philosophical reason why Barnaby is worried about some assets being sold to foreigners and not others, or maybe he is just concerned that the Chinese investors are less likely to vote for the Nationals than the current crop of farmers?

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