

Australia Dossier by Bruce Jacobs

British funds pour into Australia

The British are buying up their former colony on the cheap, and gaining a beachhead into Asian markets.

Investment and trade ties between Australia and Britain are expanding, and Britain is now Australia's biggest overall direct investment partner. However, funds are not being invested into new plant and equipment, but rather to purchase privatized assets sold by federal and state governments, or for reinvestment elsewhere in Asia.

At a recent conference, Partnership 2000, which hosted the biggest ever British trade delegation to Australia, Australian Prime Minister Paul Keating said, "Australia is an ideal beachhead [for British investment] for the most dynamic economies in the world, the Asia-Pacific." A report commissioned especially for the conference stated: "British businesses are increasingly using their Australian subsidiaries to gain access to Asian markets."

British Foreign Minister Douglas Hurd, on a visit preparatory to the Partnership 2000 conference, cheered this process, stating that a new basis for "an intimate and modern relationship with Australia" had developed and that Britain shared mutual free-trade goals with Australia, having worked "long and hard" and "often in close collaboration" for a successful outcome to the General Agreement on Tariffs and Trade (GATT) talks. In line with GATT's slave-labor orientation, Keating boasted about how he had forced wages down in the past ten years and that total operating costs in Australia were significantly lower than in the notoriously low-wage Singapore or Hongkong.

Present at the conference were such British heavyweights as Lord Al-

exander, chairman of National Westminster Bank; Sir Ralph Robins, chairman of Rolls Royce; Robert Ayling, managing director of British Airways; Frank Swan of Cadbury-Schweppes; a Rothschild representative; and almost 100 other business leaders.

British companies now using Australia as a regional base to gain access to Asian markets include United Biscuits, Vodaphone, Cadbury, Maunsells, Chubb, GEC, Unilever, Glaxo, Pilkington, Downard Pickfords, AMEC, ICI, ICL, and Davey John Brown. British firms such as Cadburys and banks such as Barclays and Hambros are pouring funds into mainland China from Australia. As one commentator recently concluded, by using Australia as a forward base, the traditional hostility toward Britain from nations such as Malaysia can be circumvented.

Two-way trade between Australia and the U.K. is now in excess of \$5 billion, while Britain is increasingly investing in Australia and Australian funds are moving to Britain. Australian investment into the U.K. is now about \$15 billion, having more than quadrupled over the last five years. There has also been a surge in lending by Australian corporations to offshore subsidiaries—for example, the insurance company AMP invests in the U.K. through Pearl Assurance group, and the National Australia Bank invests Australian funds through the Clydesdale Bank, the Northern Bank, and the Yorkshire Bank. Gross lending by Australian trading enterprises overseas rose from \$679 million in

March 1993 to an astounding \$4.3 billion one year later.

British investment in Australia in 1993 was \$25 billion, having increased fivefold in a decade. Some 7% of Britain's total foreign investment is now in Australia, much of it to purchase recently privatized infrastructure. Since the Hawke-Keating Labor government came to power in 1983, it has slashed tariffs, deregulated banking, and sold off key assets such as government banks, airlines, research bodies, and public utilities.

Commenting on why the Partnership 2000 conference was held, one journalist reported: "British businesses have been encouraged by the suggestions that privatization and deregulation have been gathering pace particularly in electricity, gas, water and aviation." In the most prominent privatization deal, British Airways bought 25% of the previously government-owned Qantas Airways, and now British Airways is buying into the soon-to-be-privatized airports of Australia's state capitals. State governments are also airing plans to privatize water, energy supplies, gambling outlets, and roads.

Despite, and in part because of, all the money moving around, Australia's underlying physical economy is collapsing. Unemployment stands at 11%, the Gross Domestic Product share of manufacturing has declined from 18% to 15% since Labor came in, public and private investment have collapsed by 22% in the last four years, and thousands of farmers have been driven from the land.

What is left of the real economy is increasingly owned by foreigners. Australia's foreign debt at Aus \$220 billion (\$154 billion) is, with only 17 million people, the largest per capita foreign debt in the world, while direct foreign investment in the country now totals \$145 billion.