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The Importance of Open and Transparent Investment Regimes - Australian Views

Submitted by: Australia



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Australian Government

Department of Foreign Affairs and Trade

THE IMPORTANCE OF OPEN AND TRANSPARENT INVESTMENT REGIMES: AUSTRALIAN VIEWS



OPEN AND TRANSPARENT INVESTMENT REGIMES

1. The Importance of Foreign Investment
2. The Importance of Investment to Australia's Growth and Prosperity
3. Key elements of Australia's Open and Transparent Regime
4. Support for Open Investment Policies Globally



THE IMPORTANCE OF FOREIGN INVESTMENT

Enhances domestic economic growth and prosperity by:

- ✓ Providing capital for our businesses to grow, which creates jobs
- ✓ Expertise transfer which supports the development of new industries and innovation (↑ productivity / competitiveness)
- ✓ Provides our businesses access to global value chains and creates export opportunities
- ✓ FDI from efficiency seeking investors that participate in global value chains is an important way for developing countries to integrate into the global economy (World Bank – Global Competitiveness Report 2017) –
 - this is true for all economies, especially in a world of rapidly changing technology and manufacturing practices
- ✓ More than a third of investors reinvest all of their profits into the host country (World Bank 2016)

THE IMPORTANCE OF INVESTMENT TO AUSTRALIA

- ✓ FDI linked to 1 in 10 jobs
- ✓ Current stock of foreign investment in Australia is \$3.5 trillion (\$967.5 billion is FDI, up 9.5 % in 2018)
- ✓ 5th placed destination for capital inflows in 2018 despite only 13th largest economy
- ✓ Small population, large landmass, capital intensive industries and infrastructure needs, means an average domestic savings gap of 4% per year over past ten years
- ✓ Supports key industries – e.g. LNG, Iron ore in Australia

KEY ELEMENTS OF AUSTRALIA'S OPEN AND TRANSPARENT REGIME

- ✓ Basis of review powers and Ministerial responsibility set out in longstanding legislation - *Foreign Investment Policy and the Foreign Acquisitions and Takeovers Act 1975*
- ✓ All policies and legislation published –
 - with changes usually involving public consultation periods along with publication of guidance
- ✓ Over-riding principle post-establishment is non-discrimination
- ✓ Locked in through FTAs and Bilateral Investment Treaties
- ✓ Very few domestic industries have specific restrictions in relation to foreign ownership
- ✓ Long-standing and well publicised screening regime

EMBEDDING OPENNESS TO FOREIGN INVESTMENT IN DOMESTIC POLICIES

- ✓ Investment attraction is a priority for our Economic Diplomacy Agenda
- ✓ Continue to strengthen Australia's international reputation as a destination for, and source of, foreign investment
- ✓ Essential to communicate the importance of open trade and investment policies to our respective publics
- ✓ Annual Ministerial Investment Statement to Parliament
- ✓ Counter community concerns about globalisation
- ✓ Elevated investment to a Cabinet Portfolio in 2013
- ✓ Important to ensure suite of domestic policy settings are conducive to investment

DEVELOPING AN INVESTMENT COMMUNICATIONS STRATEGY

Why?

- ✓ Community concerns about globalisation
- ✓ An opportunity to build on the strength of our trade advocacy work and develop a combined strategy to tackle trade, investment and open markets
- ✓ Targeted communications can strengthen our policy objectives
- ✓ A tool for demonstrating benefits and addressing misconceptions

AUSTRALIA SUPPORTS INVESTMENT LIBERALISATION GLOBALLY

- ✓ Push for action and strong messages on open trade and investment in APEC, G20, WTO and other global forums
- ✓ Regional and bilateral FTA agenda
- ✓ Ensure open and transparent regime at home
- ✓ Assist developing economies through Economic Governance elements of our bilateral aid program
- ✓ Australia - World Bank – OECD APEC Workshop to be held 11/12 June 2019 in Kuala Lumpur

GOOD DOMESTIC REGULATION IS GOOD FOR ATTRACTING FDI

- ✓ Investment policy reform is very much business climate reform
- ✓ What is attractive to foreign investors are many of the sorts of policy settings that help local business thrive
 - such as improving or reducing government regulation and red-tape, speeding up government service delivery to businesses (local and foreign), and improving access to key information

QUESTIONS/COMMENTS?



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