

# Australia As Client-State

## *Globalization = free trade = end of national identity*

by E. L. Wheelwright

*As the internationalization of the Australian economy proceeds, public confidence in its benefits is receding. Public support for economic nationalism is growing to the point where the major parties cannot ignore it.*

— Geoff Kitney

*Sydney Morning Herald*, June 6, 1997

According to United Nations reports, one third of world output is “under the common governance of transnational corporations,” of which there are 37,000, but only one percent of these corporations own half of these assets. These 370 giant corporations are concentrated in six industries: oil, automobiles, chemicals and pharmaceuticals, electronics, industrial equipment; and the group: food, beverages and tobacco. These are the major industries which, together with finance, are the key levers of global capitalism.<sup>1</sup>

In the mid-1980s Australia had the highest inflows of direct foreign investment of all the developed market economies, measured as a proportion of GNP.<sup>2</sup> It now has one of the highest levels of foreign ownership and control of its economy of all the developed countries; net foreign liabilities are 59 percent of GDP, making Australia the second-most indebted country in the world (behind New Zealand, with 70 percent). The biggest area of interest for foreign private investment now is the finance and insurance sector, with 33 percent of the total, followed by manufacturing, with 18 percent. The largest foreign stake in the country is held by the USA with 23 percent, followed by the UK with 19 percent, and Japan with 13 percent. Of

the \$437 billion of total foreign investment, over 80 percent is private; soon total foreign equity will exceed foreign debt.<sup>3</sup>

The increasing foreign ownership and control of the Australian economy first attracted attention in the early 1960s when the American capital inflow began to equal that of the British. Even conservative politicians began to express reservations, e.g. in 1960 the then-Treasurer of the Menzies Government, Harold Holt, said that he “would not like to see capital investment from overseas continue on the present scale indefinitely.” There were no official statistics of the foreign ownership of Australian companies in those days, but a private estimate of the foreign ownership of all company income in Australia suggested that it had grown from 16 percent in 1949 to 27 percent in 1963. The estimate for manufacturing industries was about one-third: the proportion foreign-controlled was higher — around 40 percent.

The conclusion of this study, conducted over 30 years ago, was that foreign investment had a part to play in the economic development of Australia, but “*it must be a part assigned to it by Australian institutions and organizations established for the purpose of planning the best ways to develop our resources.*”<sup>4</sup> (Emphasis supplied.)

Nothing of any consequence was done until the advent of the Whitlam Labor Government in 1972. The pressure had been so great that the previous Liberal Government had established a Committee of Inquiry into the economy, one of its terms of reference being foreign investment. It reported that Australia was “on the tiger’s back” because increased capital inflow was required to finance the outflow of profits. Hence it recommended that further promotion of foreign capital should cease. No notice was taken of this report.

The domestic industrialization drive was petering out because the market was saturated; more foreign money was leaving industry than was coming in. Foreign capital switched to the mineral sector, and American ownership there tripled. The Utah Development Corporation came to be the

---

**Professor Emeritus of Economics (University of Sydney) E. L. “Ted” Wheelwright** is the doyen of political economy in Australia. He is a leading critic of economic rationalism and orthodox neo-classical economics. He is the author or co-author, editor or co-editor, of over twenty books.

symbol of mineral exploitation in the 1970s, making the highest profit of any company in Australia. Even some Liberal and Country Party politicians began to have doubts; the Deputy Prime Minister warned that “we are selling off the farm to pay the mortgage.”<sup>5</sup>

Opposition took various forms. A splinter group from the Liberals, led by businessman Gordon Barton, included opposition to further foreign investment in its platform; and a businessmen’s organization, the Australian Ownership Council, was formed to press for restrictions on foreign investment.

A Liberal Prime Minister, John Gorton, was attacked and driven from office partly because he was an “economic nationalist.” Labor parliamentarians agitated to establish a select committee on the subject in the Senate, which advocated a screening system for transnational investment in 1972. Popular protest movements focused on particular issues such as uranium mining and Aboriginal land rights in outlying States. Even the Liberal-Country Party Government in its last months in office in 1972 was forced to make an attempt at controlling transnationals, legislating to enable the Treasurer to prohibit any takeovers “not in the national interest.”

---

***“Foreign companies accounted for over 70 percent of sales in Australian supermarkets...”***

---

The new Labor Government elected in 1972 retained this legislation, and adopted a policy of initiating a series of massive natural resource projects dominated by the government and designed to develop alternative sources of energy to oil. It involved an extensive national pipeline grid, enrichment plants to process uranium deposits, electrification of rail facilities and the development of solar energy. These projects were to be financed and managed by existing or new government agencies, which would locate, mine, and process materials, and market the end products, thus locking out the transnational corporations.

It was this which unleashed the “furies of private interest” and raised the specter of socialism. The Minister for Minerals and Energy, Rex Connor,

contended that the mineral corporations were selling Australia’s resources too cheaply and not paying their fair share of taxes. Australian banks and financial institutions were hostile to the proposals, as well as the Treasury, so Connor intended to finance the program by the public borrowing of \$4 billion of Arab money. It was the financial “scandals” related to this plan which played a key role in the sacking of the Labor Government in 1975 by the Governor-General.

Two weeks before this government was dismissed a Committee to advise on policies for manufacturing industries reported to the Prime Minister. One of its terms of reference was a policy on manufacturing companies of overseas origin. It had found a high concentration of the industry — 200 corporate groups accounted for half the turnover of the entire industry, and nearly half of these were foreign-controlled. Consequently the committee recommended that within fifteen years all large foreign corporations should be half-Australian owned, have an Australian majority thereafter, and until then should report regularly to an appropriate authority on its “international competitive stance,” with special reference to transfer pricing and export-franchise arrangements.

The incoming Government did nothing of the kind; instead it established the Foreign Investment Review Board which over the last 20 years has approved just about every application put to it. Over the last decade most foreign investment has gone into the finance and property sectors of the economy.<sup>8</sup> Foreign investors now own 31 percent of the shares traded on the Australian stock market and account for over 20 percent of all purchases and sales.<sup>9</sup> The net effect of the successive waves of foreign investment which have constituted the selling of Australia, has been to lock it into the new corporate world economic order created by the explosion of a few hundred transnational corporations with headquarters in the USA, the UK, Western Europe and Japan.

The first wave of foreign investment was from Britain; after World War II the second wave was from the USA, and the third wave was from Japan in the 1980s, concentrating in resource development, initially.<sup>10</sup> This escalating foreign ownership and control of the Australian economy

attracted attention from various quarters, not just those on the left of the political spectrum. One example is the formation of the Australia Owned Companies Association (AOCA) by Harry Wallace, a businessman whose printing ink company was bought out by foreign capital in the early 1990s. His AOCA publishes regular well-researched bulletins informing consumers as to who owns the companies which produce the products they buy. He estimated that foreign companies accounted for over 70 percent of sales in Australian supermarkets, and said in 1994:

*We are governed by the Canberra culture; Hewson, Keating, Reith, Dawkins and the permanent heads are all in the same school, truckling out the same nonsense about level playing fields, J curves, rationalization, privatization and free trade.*<sup>11</sup>

Another example of those hostile to more foreign investment is B.A. Santamaria, traditionally on the right, attacking both major parties:

*The essential problem lies in the determination of both sides of politics that Australia shall see its future as entirely subject to the demands of the global economy, and will reduce the role of government as close as possible to none at all, paying whatever price is necessary to "free up" the economy. That view of the role of the State is essentially Anglo-American. It is not accepted by countries such as Germany, Japan, and others in East and Southeast Asia.*<sup>12</sup>

The spectacular growth of foreign investments on a world scale has created a new international bourgeoisie, producing client states of international capital of which Australia is now one. Sklair speaks of "a new global capitalist class" which dictates economic transnational practices, formed by a triple alliance of host state, transnational corporations, and elements of the indigenous elite, such as senior state functionaries, prominent politicians, and leaders of learned professions.<sup>13</sup>

This new class changes the nature of the political struggles between capital and labor, alters the role of the state, and deliberately downgrades domestic industry, engendering the belief that most indigenous practices are inferior to foreign ones,

which are now called "world's best practices." New methods and new products from abroad are virtually *defined* as being better than indigenous ones. These attitudes have a depressing effect on local industry.

Hence, Sklair considers that the most important ideology now transmitted internationally is that of *consumerism*, which is essential for the spread of global capitalism. But consumerism depends on

---

***"The most important ideology now transmitted internationally is consumerism [which in turn] depends on advertising."***

---

advertising, which leads to the transnationalization of the local mass media and communications systems, which is happening now in Australia. To this we should also add the ideology of free markets and free trade, propagated in universities and think-tanks around the world, financed by big business, and even involving a "secret society" of economists, as documented over the last 50 years by Richard Crockett.<sup>14</sup> The ultimate logic of this ideology is that even *ideas now become commodities*, bought and sold in the market place.

According to Gare these developments in Australia have served to undermine national identities; and have upset the previous balance of class relations, causing decline in the number of people producing for the domestic market, which is not compensated for by the increase in those producing for export. Hence the traditional working class is shrinking, and is fighting a rear-guard action without much success. This new transnational capitalist class, he argues, has no direction or underlying purpose — just power, control and conspicuous consumption on a massive scale.

The rise of the new class, Gare emphasizes, has been associated with massive expenditure by large transnationals on public relations, promoting policies favorable to their expansion, especially the ideology of the New Right advocating the emancipation of the market from all controls. He considers that the new international bourgeoisie

achieved this to a significant extent by the control of the mass media “which has been the site of unprecedented corporate activity and intervention in recent decades.”<sup>15</sup>

A seminal study of who the globalizers are in Australia has been made by Leslie Sklair.<sup>16</sup> He emphasizes that in the 1980s and 1990s Australia “made a rapid and deep-reaching transition from a high tariff, ultra-protectionist, inward-looking economy and society to one of the most open economies in the world.” His research focused on four fractions of the transnational capitalist class: transnational corporation executives and their local affiliates, globalizing bureaucrats, capitalist-inspired politicians and professionals, and consumerist elites such as merchants, the media, and advertising.

Interviews were conducted with corporations, state agencies, political functionaries, and professional and consumerist elites, seeking to identify key globalizers. Those identified as “organizational globalizers” included transnational corporations, business associations, and government. BHP (Broken Hill Proprietary Limited) emerged as the dominant globalizing force among the organizations, followed by Pacific Dunlop, RTZ (Rio Tinto Zinc), the Australian Labor Party, the National Australian Bank, Amcor, CSR (formerly Colonial Sugar Refineries), the Business Council of Australia, the ANZ Bank, CocaCola Amatil, News Corporation, and the Australian Manufacturing Council.

The “individual globalizers” identified included leading Labor Party politicians, members of the corporate elite, “capitalist-inspired politicians and professions,” and “globalizing bureaucrats.” The top-scoring individual globalizer was Paul Keating, the former Labor Prime Minister. Apparently several corporate respondents to the survey cited him with reluctance, pointing to the “irony of the Labor Party having emerged as the party of globalization.” Also important to the individual category were public servants, economists, members of the corporate elite, and academics.<sup>17</sup>

Sklair finds that “the rapidity, success and ease of the transition to globalization is clearly explicable

---

**“...in the 1980s and 1990s  
Australia made a rapid and  
deep-reaching transition ...  
to one of the most open  
economies in the world.”**

---

in terms of the continuity and congruence of interests between the corporate and the political elites.” He considers that from the mid-1980s those ruling Australia’s key institutional sectors were in agreement about the need to globalize, and the form it should take. This suggests evidence for “the existence and power of a globalizing capitalist class.”

Until the 1970s the corporate elite — local and foreign — were united with the administrative and political elites on the need to protect the local market. But by the 1980s this had changed; both resident foreign transnational corporations and local ones such as BHP, began to see the limitations of the domestic market for profitability, and worked to change the rules in their favor, by virtually eliminating protection. Hence Sklair’s conclusion that the State is now no longer the prime mover in the global capitalist system; the real power lies in “the transnational capitalist class and the transnational corporations that sustain its global hegemony.”<sup>18</sup>

The consequences, as have been pointed out by Gary Sauer-Thompson and Joseph Wayne Smith, are that:

*Australia can be stripped bare, as technological economic rationalism holds that it is nothing but an exploitable resource for predatory transnationals seeking to make a profit for their shareholders. The Enlightenment turned technological has become an ideological screen for an increasingly authoritarian business democracy in which we have basically one political party with two right wings.*<sup>19</sup>

TSC

#### NOTES

<sup>1</sup> UNCTAD *World Investment Report: Transnational corporations, Employment and the Workplace*, Geneva, 1994.

<sup>2</sup> United Nations Center on Transnational corporations, *Government Policies and Foreign Direct Investment*, UN, New York, 1991, Tables 3 and 5.

<sup>3</sup> *International Investment Position*, Australian Bureau

of Statistics, August 1996.

<sup>4</sup> Brian Fitzpatrick and E.L. Wheelwright, *The Highest Bidder: A Citizen's Guide to Problems of Foreign Investment in Australia*, Lansdowne Press, Melbourne, 1965, pp. xvi-xviii, and p.196.

<sup>5</sup> Greg Crough and Ted Wheelwright, *Australia: A Client States*, Penguin, Australia, Melbourne, 1982, p.4 (published in Japanese, 1984).

<sup>6</sup> op.cit., p.5.

<sup>7</sup> op.cit., p.7.

<sup>8</sup> *Foreign Investment Review Board Report, 1994-95*, Canberra, March 1996.

<sup>9</sup> *Annual Report for 1995 of the Australian Stock Exchange*, Sydney, 1996.

<sup>10</sup> Abe David and Ted Wheelwright, *The Third Wave: Australia and Asian Capitalism*, Left Book Club, Sydney, 1989.

<sup>11</sup> *Corporate Review*, Vol. 4, No. 4, 1994, p.20.

<sup>12</sup> *The Australian*, December 30, 1995.

<sup>13</sup> Leslie Sklair, ed., *Capitalism and Development*, Routledge, London, 1994, p.179.

<sup>14</sup> Richard Crockett, *Thinking the Unthinkable: Think-*

*Tanks and the Economic Counter-Revolution, 1931-83*, HarperCollins, London, 1994. See also "Political Economy: Past, Present and Future" by Ted Wheelwright in *Pacific Basin Studies Review*, Vol. 5, No. 3, 1994, Queensland University of Technology.

<sup>15</sup> Arran Gare, "Globalization, Postmodernity, and the Environment," in *Arena Journal*, No. 4, Melbourne, 1995.

<sup>16</sup> Leslie Sklair, "Who Are the Globalizers? A Study of Key Globalizers in Australia," *Journal of Australian Political Economy*, No. 38, December 1996.

<sup>17</sup> Apart from Keating, other Labor Party politicians noted as individual globalizers included Button and Hawke; the corporate elite were led by Prescott and Murdoch; the "capitalist-inspired politicians" were led by Kelly, Hyde, McLaughlin and Carnegie; the only "globalizing bureaucrat" named was Rattigan.

<sup>18</sup> op.cit., p.28.

<sup>19</sup> Gary Sauer-Thompson and Joseph Wayne Smith, *Beyond Economics: Postmodernity, Globalization and National Sustainability*, Avebury, Ashgate Publishing Ltd., Aldershot, England, 1996, p.247.

TANDBERG, © 1997. Reprinted by permission from *Sydney Morning Herald*, April 16, 1997.