

On the Frontier

Australia's policy approach to Foreign Direct Investment
1968-2004 as a case study in globalisation, national public
policy and public administration

Christopher Sadleir

Thesis submitted in fulfilment of the requirements for the degree of

Doctor of Philosophy

University of Canberra

February 2007

© Christopher Sadleir, 2007

Abstract

Since the latter half of the twentieth century patterns of economic flows and the deployment of systems of production have encouraged greater political and social integration between nation states. This phenomenon, called globalisation, has reinvigorated debate about the nation state as a mode of organisation, and created the conditions for an ongoing natural experiment concerning state adjustment. This experiment, while on a global scale, has led to different responses from national governments, as each grappled with how best to accommodate both domestic and international interests. One neglected aspect of analysis in these processes is the role played by national bureaucracy in state adjustment as a means to move with globalising pressures or to resist their impact.

This thesis presents a qualitative analysis of the interaction of one globalising process, foreign direct investment (FDI), and the workings of the nation state, as a means of assessing the way in which the national government has used regulatory processes and its bureaucracy to control FDI. An extended historical case study is used to examine changes in policy, regulation and the organisation of the national bureaucracy concerned with FDI in Australia. The period examined is from 1968 to 2004 enabling comparisons to be made across the experience of seven successive national governments (those led by prime ministers Gorton, McMahon, Whitlam, Fraser, Hawke, Keating and Howard) in the way they managed the domestic and international circumstances that impacted on FDI.

This thesis makes a contribution to the literature on the interaction of globalising processes, the nation state and the role played by national public bureaucracies where national and transnational interests intersect. In particular, this thesis identifies the national bureaucracy as a key agent for government in enabling and domesticating the processes of globalisation. This finding demonstrates that national bureaucracy is significant as both a facilitator and the inhibitor of processes of globalisation, and therefore is a key factor in understanding the issues of state adjustment in studies of globalisation.

Certificate of Authorship of Thesis

Except where clearly acknowledged in footnotes, quotations and the bibliography, I certify that I am the sole author of the thesis submitted today entitled:

On the Frontier: Australia's policy approach to Foreign Direct Investment 1968-2004 as a case study in globalisation, national public policy and public administration

I further certify that to the best of my knowledge the thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.

The material in the thesis has not been the basis of an award of any other degree or diploma except where due reference is made in the text of the thesis.

The thesis complies with University requirements for a thesis as set out in <http://www.canberra.edu.au/secretariat/goldbook/forms/thesisrqmt.pdf>.

.....

Signature of Candidate

.....

Signature of Chair of the Supervisory Panel

Date:

Acknowledgements

Within the University of Canberra many very kindly and ably contributed to this project:

Adjunct Associate Professor Gwyn Singleton, as supervisor, who with much patience, kindness and insight has been a privilege to work with.

Professor Mark Turner, who at an early stage was willing to oversee the development of this project and latterly as a much respected teaching colleague.

Associate Professor Jenny Stewart for her insights on public policy and networks.

Associate Professor Chris Aulich, Dr Mary Walsh and Dr Anni Dugdale for fostering an environment conducive to postgraduate research.

Sheila Wood for her continuing and invaluable support.

A research project such as this necessarily draws on a range of sources, to both establish and test a historical narrative. In particular, the assistance from those who work or have worked in the agencies which became the source of case study material is gratefully acknowledged. Also, the National Archives proved critical to completing the research phase of this work especially as a source for material on Cabinet deliberations prior to 1975 on what was then called overseas investment.

Colleagues within the Australian Public Service who participated in the inception of this project and provided their thoughts on the very earliest drafts as this project developed.

Colleagues in the Department of Parliamentary Services for their insights into the workings of a succession of governments and in particular Gina Hall for her advice

on material on the Howard-Costello governments.

Much thanks to David Sadleir and John Laver for editorial advice, Alexander for help with generations of information technologies, and Torsten for his thoughts on scientific methodology and its application to social science research.

Funding for this research was provided initially through an Australian Postgraduate Award and sponsorship through the University of Canberra. Both sources are gratefully acknowledged.

Last, but by no means least, Anne, to whom this thesis is dedicated.

Contents

ABSTRACT	i
CERTIFICATE OF AUTHORSHIP OF THESIS.....	ii
ACKNOWLEDGEMENTS.....	iii
FIGURES	vi
TABLES.....	vii
ACRONYMS.....	ix
CHAPTER 1 - INTRODUCTION.....	1
CHAPTER 2 - GLOBALISATION, BUSINESS BEHAVIOUR AND APPROACHES TO REGULATING FDI.....	14
CHAPTER 3 - STATE AUTONOMY AND CAPACITY	40
CHAPTER 4 - METHODOLOGY.....	64
CHAPTER 5 - THE GORTON, MCMAHON AND WHITLAM ERA	99
THE GORTON GOVERNMENT’S APPROACH TO GLOBALISATION AND FDI.....	99
THE MCMAHON GOVERNMENT’S APPROACH TO GLOBALISATION AND FDI.....	113
THE WHITLAM GOVERNMENT’S APPROACH TO GLOBALISATION AND FDI.....	121
CHAPTER 6 - THE FRASER ERA.....	151
CHAPTER 7 - THE HAWKE AND KEATING ERA	210
CHAPTER 8 - THE HOWARD ERA.....	275
CHAPTER 9 - CONCLUSION.....	324
REFERENCES.....	337

Figures

FIGURE 1.1: THE ANALYTICAL FRAMEWORK	10
FIGURE 2.1: POSSIBLE REACTIONS TO A MNE BY DOMESTIC FIRMS IN THE HOST COUNTRY	31
FIGURE 2.2: GROWTH AND DECLINE IN FDI REGULATIONS, AUSTRALIA 1960-1999	37
FIGURE 3.1: POSITION OF NATIONAL BUREAUCRACY IN GLOBAL CAPITAL FLOWS	59
FIGURE 4.1: FDI AS A GROWING COMPONENT OF GLOBAL TRADE AND INVESTMENT FLOWS.....	78
FIGURE 4.2: FDI INFLOWS TO AUSTRALIA AND SELECTED COUNTRIES IN ASIA AS A PROPORTION OF GDP, 1970 TO 2004.....	79
FIGURE 5.1: FDI INFLOWS AND STOCK OF FDI 1950/51 TO 1977/78 AS A PROPORTION OF GDP	102
FIGURE 5.2: CHANGES IN THE PATTERN OF ORGANISATIONAL RELATIONSHIPS IN THE NATIONAL BUREAUCRACY AND CORE EXECUTIVE TO REGULATE FDI FLOWS PRIOR TO AND DURING THE GORTON AND MCMAHON GOVERNMENTS.....	145
FIGURE 5.3: CHANGES IN THE PATTERN OF ORGANISATIONAL RELATIONSHIPS IN THE NATIONAL BUREAUCRACY AND CORE EXECUTIVE TO REGULATE FDI FLOWS DURING THE WHITLAM GOVERNMENT	146
FIGURE 6.1 FDI INFLOWS 1970/71 TO 1982/83 (\$ AUD MILLION)	157
FIGURE 6.2: THE PATTERN OF ORGANISATIONAL RELATIONSHIPS IN THE NATIONAL BUREAUCRACY AND CORE EXECUTIVE TO REGULATE FDI FLOWS DURING THE FRASER GOVERNMENT.....	197
FIGURE 6.3: INSTITUTIONAL PRESSURES AND AN EMERGING MICRO-ECONOMIC CAPACITY	201
FIGURE 7.1 FDI INFLOWS 1979/80 TO 1995/96 AS A PERCENTAGE OF GDP	215
FIGURE 7.3: SUMMARY OF REGULATORY CHANGES 1984 TO 1995	256
FIGURE 7.4: THE PATTERN OF ORGANISATIONAL RELATIONSHIPS TO REGULATE FDI FLOWS UNDER THE HAWKE GOVERNMENT UP UNTIL THE 1986 CURRENT ACCOUNT CRISIS	265
FIGURE 7.5: THE PATTERN OF ORGANISATIONAL RELATIONSHIPS TO REGULATE FDI FLOWS BY THE END OF THE KEATING GOVERNMENT IN 1996	266

FIGURE 7.6: INSTITUTIONAL PRESSURES AND A STRENGTHENING MICRO-ECONOMIC CAPACITY	269
FIGURE 8.1: FDI INFLOWS 1995/96 TO 2003/04 AS A PROPORTION OF GDP	281
FIGURE 8.2: SUMMARY OF REGULATORY CHANGES 1996 TO 2004.....	313
FIGURE 8.3: STRUCTURE OF THE BUREAUCRATIC RELATIONSHIPS CONCERNED WITH FDI, 2004	319

Tables

TABLE 2.1: SUMMARY OF MULTILATERAL INVESTMENT AGREEMENTS IN EFFECT IN 2000.....	28
TABLE 2.2: SUMMARY OF MULTILATERAL INVESTMENT AGREEMENTS IN EFFECT IN 2000.....	34
TABLE 3.1: STATE STRENGTH IN RELATION TO SOCIETY	44
TABLE 3.2: FRAMEWORK FOR ASSESSING STATE CAPACITY.....	47
TABLE 3.3: RELATIVE POWERS OF THE STATE AND BUSINESS IN SHAPING POLICY IN SPECIFIC INDUSTRY SECTORS	56
TABLE 3.4: BUREAUCRACY AS AN INDICATOR OF STATE AUTONOMY AND CAPACITY IN RESPONSE TO GLOBALISATION	61
TABLE 4.1: SAMPLE OF STUDIES CONSIDERED IN DAVIS ET AL	67
TABLE 4.2: FOCUS AND CAUSAL EMPHASIS IN STUDIES OF NATIONAL TREASURY BUREAUCRACIES	69
TABLE 4.3: FOCUS AND CAUSAL EMPHASIS IN A SELECTION OF STUDIES OF LOCAL, REGIONAL AND NATIONAL BUREAUCRACIES	70
TABLE 4.4: SUMMARY OF SOURCES USED IN THIS RESEARCH	83
TABLE 4.5: BREAKDOWN OF INTERVIEWS CONDUCTED, BY ROLE OR AREA OF INTEREST.....	87
TABLE 4.6: VARIABLES, FOCUS OF ANALYSIS AND MEASURES.....	95
TABLE 5.1: FDI GUIDELINES ANNOUNCED ON 16 SEPTEMBER 1969	109
TABLE 5.2: FTA 1972 ANNOUNCED ON 26 SEPTEMBER 1972	118

TABLE 5.3: WHITLAM GOVERNMENT INITIATIVES TO INCREASE THE INFLUENCE OF NATIONAL GOVERNMENT ON INDUSTRY	128
TABLE 5.4: FTA 1975 ANNOUNCED ON 24 SEPTEMBER 1975	131
TABLE 5.5: CHRONOLOGY OF CHANGE IN THE CONTEXT AND PARTICULARS OF FDI PUBLIC POLICY DURING THE GORTON, MCMAHON AND WHITLAM GOVERNMENTS.....	138
TABLE 5.6: CHANGES IN FDI REGULATION AND LEGISLATION DURING THE GORTON, MCMAHON AND WHITLAM GOVERNMENTS.....	143
TABLE 6.1: CHRONOLOGY OF CHANGE IN THE CONTEXT AND PARTICULARS OF FDI PUBLIC POLICY DURING THE THREE FRASER GOVERNMENTS (1975-1983)	189
TABLE 6.2: CHANGES IN FDI REGULATION AND LEGISLATION DURING THE THREE FRASER GOVERNMENTS.....	194
TABLE 6.3 STRENGTHENING CAPACITY FOR DIRECT AND INDIRECT REGULATION OF FDI DURING THE FRASER GOVERNMENT	196
TABLE 7.1: SPECIALIST AGENCIES SUPPORTING MICRO-ECONOMIC REFORM.....	226
TABLE 7.2: CHRONOLOGY OF CHANGE IN THE CONTEXT AND PARTICULARS OF FDI PUBLIC POLICY DURING THE HAWKE/KEATING GOVERNMENT (1983-1996)	251
TABLE 7.3: BALANCE OF CHANGES IN FDI REGULATION AND LEGISLATION DURING THE HAWKE AND KEATING GOVERNMENTS	258
TABLE 7.4: STRENGTHENING CAPACITY FOR DIRECT AND INDIRECT REGULATION OF FDI DURING THE HAWKE AND KEATING ERA	262
TABLE 8.1: ALIGNMENT BETWEEN REGULATORY TASKS AND AGENCIES RECOMMENDED BY WALLIS	289
TABLE 8.2: CHANGING ROLES OF AGENCIES RESPONSIBLE FOR MICRO-ECONOMIC REFORM	292
TABLE 8.3: CHRONOLOGY OF CHANGE IN THE CONTEXT AND PARTICULARS OF FDI PUBLIC POLICY DURING THE HOWARD GOVERNMENT (1996-2004)	310
TABLE 8.4: BALANCE OF CHANGES IN FDI REGULATION AND LEGISLATION DURING THE HOWARD ERA.....	315
TABLE 8.5: STRENGTHENING CAPACITY FOR DIRECT AND INDIRECT REGULATION OF FDI.....	317

Acronyms

ABaA	Australian Bankers Association
ABrA	Australia Broadcasting Authority
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACPI	Advisory Committee on Prices and Incomes
ACTU	Australian Council of Trade Unions
AIDC	Australian Investment and Development Corporation
ALP	Australian Labor Party
AMC	Australian Manufacturing Council
AMIC	Australian Mining Industry Council
APAIS	Australian Public Affairs Information Service
APEA	Australian Petroleum Exploration Association.
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulatory Authority
APRC	Australian Prudential Regulation Commission
ASC	Australian Securities Commission
ASEAN	Association of Southeast Asian Nations

ASIC	Australian Securities and Investment Commission
ATO	Australian Taxation Office
AUSFTA	Australia–United States Free Trade Agreement
BACA	Department of Business and Consumer Affairs
BHP	Broken Hill Proprietary Company Limited
CAIL	Coal and Allied Industries
CBCS	Commonwealth Bureau of Census and Statistics
CER	Australian New Zealand Closer Economic Relations Trade Agreement
CLERP	Corporate Law Economic Reform Programme
COAG	Council of Australian Governments
COFT	Committee on Foreign Takeovers
CRA	Conzinc Riotinto Australia
EEC	European Economic Commission
EPAC	Economic Planning Advisory Council
EPACm	Economic Planning Advisory Commission
EU	European Union
FDI	Foreign Direct Investment
FIAC	Foreign Investment Advisory Committee

FIRB	Foreign Investment Review Board
FIC	Foreign Investment Committee
FTA	Foreign Takeovers Act
FTAs	Free Trade Agreements
IAC	Industries Assistance Commission
ICTs	Information and communications technologies
IDC	Inter-departmental Committee
IDD	Investment and Debt Division
IEPCG	International Economic Policy Co-ordinating Group
IMF	International Monetary Fund
ITR	Integrated Tourism Resort
ISC	Insurance and Superannuation Commission
LDC	Lesser Developed Country
L-NCP	Liberal-National Country Party Coalition
LNG	liquid national gas
MAI	Multi-lateral Agreement on Investment
MLC	Mutual Life and Citizens Assurance Co. Ltd.
MHR	Member of the House of Representatives
MFN	Most-favoured nation status

MNE	Multinational Enterprise
NAA	National Archives of Australia
NARA	Nippon-Australian Relations Agreement
NBFIs	Non-bank financial institutions
NCC	National Competition Commission
NCP	National Country Party
NCSC	National Companies & Securities Commission
NGOs	Non-government Organisations
OECD	Organisation for Co-operation and Economic Development
OPEC	Organisation of Petroleum Exporting Countries
PC	Productivity Commission
PJT	Prices Justification Tribunal
PM&C	Department of Prime Minister and Cabinet
PMO	Prime Minister's Office
PSA	Prices Surveillance Authority
RBA	Reserve Bank of Australia
RRT	Resources Rent Tax
SIC	Strategic Investment Co-ordinator

TNC	Transnational Corporation
TPC	Trade Practices Commission
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USSR	Union of Soviet Socialist Republics
VDR	Variable Deposit Requirement scheme
WTO	World Trade Organisation

