Archived at the Flinders Academic Commons:
http://hdl.handle.net/2328/27231

This is a scan of a document number DUN/Speeches/3307
in the Dunstan Collection, Special Collections, Flinders University Library.
http://www.flinders.edu.au/library/info/collections/special/dunstan/

**Title:**
ALP Broadcast from Station 5KA presented by Don Dunstan, Member for Norwood

Please acknowledge the source as:
Dunstan Collection, Flinders University Library.
Identifier: DUN/Speeches/3307

© Copyright Estate Donald Allan Dunstan

LABOR PARTY BROADCAST FROM STATION 5KA, 22/5/61

PRESENTED BY DON DUNSTAN - MEMBER FOR NORWOOD

Good Evening,

Under the Menzies Government, Australia is only paying her way, because of adverse overseas trade balances, by importing foreign capital. The L.C.P. Government has failed to develop our export earning industries, or to limit our imports to the extent necessary to remain solvent and develop our economy at a reasonable rate without an inflow of foreign capital.

Now there are various advantages claimed for this inflow of capital. Let me list them.

(i) An immediate gain in foreign currency

(ii) The introduction of new industrial techniques

(iii) The introduction of new managerial techniques.

(iv) The introduction of new products.

(v) The introduction of newmarketing techniques.

(vi) Access to overseas research.

(vii) Some import saving.

Now let me turn to the disadvantages:-

(i) Effect on balance of payments -

This should be looked at from a long term pint of view, not simply from a decade or so of post war development. The immediate net gain in foreign currency is the difference between net capital inflow and profits remitted overseas. Clearly, in the early years this will be substantial. But as the amount of overseas assets in the country builds up over the years, the figure of remitted profits will grow. If capital inflow does not increase, remitted profits will soon reach a figure which equals capital inflow. At this point there will be no net gain in foregin currency. We are close to this point now. If capital inflow remains the same, but remitted profits continue to grow, there will come a time when there is a nett loss of foreign currency,

Dunstan Collection, Special Collections, Flinders University Library.

i.e. remitted profits will exceed capital inflow. We have reached this point with American investment, but not with investment as a whole, yet.

Such a net loss of foreign currency would not matter if our balance of payments position were sound, i.e. if as a result of our development we were earning more foreign currency to pay the debts. But we are not, the proportion of our export income needed to pay the debt is increasing. It is not yet a serious problem, but if the proportion continues to increase at the same rate it will become a serious problem. Within 5 years for example, one fifth of our export income could be used up to service overseas debt of all kinds. To the extent that capital inflow increases correspondingly, the immediate problem is solved. But it is not eliminated - the day of reckoning is merely postponed in the same way as it is for a man who borrows from the bank to meet the interest on his existing debt. It follows that if capital inflow were to fall off considerably - as it might well if a Labor government were elected - we should face a serious drain on the balance of payments. Or if for instance a Labor government in the U.K. were to put an embargo on foregin investment (which it should because the U.K. really needs this investment more than we do) we should be in trouble.

Other points to be noted briefly are:-

(a) Overseas firms come here with the minimum of foreign currency, they borrow on our capital market at fixed interest of 5-8% say, so that of the total capital used at least half is Australian. Out of their total profits they pay the 5-8% (tax deductible), and the rest of the profit accrues to the overseas firm. This "pyramiding" allows firms to receive 20-30% on their capital, compared with the 5-8% on the Australian contributed capital (e.g. General Motors where this was obvious because of the preference shares at 6%).

(b) Evidence exists to show that American investment is at

Dunstan Collection, Special Collections, Flinders University Library.

least twice as profitable as British investment. Before long the American assets in Australia will equal the British value, although the American inflow of capital has been only about one quarter of the British.

(ii) Effects on Australian Economy:

(a) The control of key secotrs of our economy by subsidiaries of big overseas companies means that it becomes increasingly difficult to control our ecomomy by orthodox monetary means. When we wish to check the expansion of the whole economy, we end up by checking the Australian component more than the overseas one. This is because their size and international standing makes them better credit risks, and also and more important, because they have access to funds outside the Australian system i.e. they can borrow from their parent companies, and/or switch funds from one country to another according to whether internal credit is tight or not. They can also manipulate the prices of what they buy from their world-wide organisation so that their profits here appear to be minimised (e.g. oil companies purchasing oil from their own suppliers). In short a temporary check in Australian development can be used as their big chance to expand at the expense of other competitors, if they think long term prospects are good.

(b) Concentration Effect -

The impact of the big overseas company can swamp a small economy. Either they take over smaller Australian concerns or the result is that smaller Australian companies are forced to merge to meet the challenge. The result, either way, is an increase in monopoly and the power of the big company.

(c) Effect on research -

This is two-sided. On the one hand we benefit through access to overseas research. On the other this research

Dunstan Collection, Special Collections, Flinders University Library

is often naturally oriented to use raw materials etc. suited to conditions in the parent company, so that we do not make as much use of our own raw materials as otherwise we might. This means less employment for our own research workers in industry.

(d) Export franchises -

It is known that many overseas companies do not allow their subsidiaries to compete in export markets, or greatly restrict them The British are worse offenders than the American in thsi respect. From the point of view of the parent company this makes sense - they may be better able to compete from say Detroit or Brimingham factories than from Melbourne or Sydney factories, because of the scale of operation. It does not help Australian export possibilities, however. There is also the possibility of political interference - What if the Australian government negotiated a contract for say trucks for Communist China - would G.M.H. be allowed to make them?

(e) Political effects:

We all know the political power of the big company - what powers can a big overseas company exert on a government which may be hostile to private enterprise, or which may wish to pursue a foreign policy opposed to that of the parent company? e.g. the oil cartle could if it wished, at one stroke cut off all or oil supplies. The refineries could refuse to process non-cartel oil - see Cuba.

We can only control this problem and save ourselves from the disastrous situation of foreign economic dominance in which Canada now finds herself, by Labor's policy of capital issues control screening of foreign capital imports, selective import controls and planned public development to boost our export earnings. That policy, of course, the Government bitterly opposes, so it is essential for our well being to defeat the Government and elect Labor in this year's elections.

Goodnight.

Dunstan Collection, Special Collections, Flinders University Library