

## Australia-Closer to the Brink?

Australia is a country with wonderful attributes including political stability, democracy, the rule of law, egalitarianism, abundant natural resources and education, health and welfare systems which, although not perfect, are the envy of many other nations.

Nevertheless there are many problematic issues, which pose a threat to Australia's defence, sovereignty, democracy, society or even to the long term viability of the nation itself. Not the least of these flows from the sharply declining fertility rate and ageing of the population.

These were the opening paragraphs of a policy discussion paper "The Crisis Facing Australia" produced and published by the Council for the National Interest Western Australian Committee (CNI) in July 2002.

Some 4 years earlier CNI had drawn attention to the critical problems potentially flowing from these demographic and other changes and proposed some possible solutions (1). These detailed proposals expanded on a discussion paper produced and published by CNI five years earlier (2).

It is now interesting to look at what has happened since 2002. Have opportunities been grasped by Government? Do Australia's leaders have a vision for the future and the courage to espouse it and to put in place policies to achieve it? or have the warnings not been heeded and thus Australia is perhaps closer to brink?

### **Overview of period since 2002**

Since 2002 Australia's economic growth as measured by GDP has been strong with private wealth growing at an average of about 15% pa in real terms to \$310,000 per head of population. (3) At the same time research by the Centre for Work and Life at University of South Australia suggests this period of unrivalled prosperity coincides with an alarming rise in worker poverty - the working poor. (4) Unemployment has fallen with new jobs growth of 263,500 in the 12 months to August 2005 but, jobs are shrinking for unskilled workers. (5) Net foreign debt continues to grow at an alarming rate - \$473 billion at December 2005 with the trend suggesting it will pass the half trillion dollar mark by end of 2006. The Federal Treasurer Peter Costello argues that this does not matter as it is all private debt mainly borrowings by Australian banks. This ignores the link between foreign debt and the value of the Australian Dollar. Mr Costello will be proved wrong.

Soft illicit drug policies and lax enforcement have led to increased drug use, particularly cannabis and amphetamines, which in turn has led to a mental health crisis, with which the States and Commonwealth have palpably failed to cope - this despite large budget surpluses. At the same time the same category of amphetamine drugs, which are also believed to cause heart attacks and strokes, are being prescribed in ever increasing numbers for children with 'so called' attention deficit hyper-activity disorder (ADHD). In the words of the chief executive of the Australian Childhood Foundation "doctors are over prescribing ADHD medications for children because they are seen as a quick fix for what can sometimes be family dysfunction". (6)

Significant factors in childhood behavioural problems are speech, hearing and learning disabilities. Despite billion dollar surpluses, in Western Australian alone, some 7,700 children are on waiting lists to get vital remedial therapy for speech, hearing, learning and occupational difficulties, (7) If not corrected, many of the children will be diagnosed ADHD and medicated. If this is not enough, the Australian Quarantine Inspection Service (AQIS) and Food Standards Australia and New Zealand (FSANZ) are failing in their duty to protect Australian children (and the population at large) from ingesting toxic chemicals in imported foods and dangerous and carcinogenic food additives. (8)

Sadly, even if every child could be given a 100% chance to achieve his or her potential through school and beyond, the longer term outcome might be less than ideal as political correctness, outcomes based education curricula and other post modernist theories are leading to “learning, sinking in a sea of claptrap”,(9) Science and Maths are ‘dumbed down’ and Victoria’s plan for “teaching English Literature will merely feed students with insipid gruel”. (10)

A disturbing trend is the increased level of concentration of market power seems to be continuing to the detriment of small business. Examples are the market share of major supermarket chains, retail liquor outlets, oil company domination of retail outlets and the Toll/Patrick takeover, giving Toll huge power in the transport/logistics industry.

Clearly a lot more could be detailed in this overview. What it demonstrates is that despite an apparently healthy economy, there are serious problems ahead whereas, despite the apparent prosperity there is a soft underbelly of the “have-nots” and a clear failure of government to tackle fundamental underlying problems.

So where to from here?

## **Population**

On September 27, 1996 Liberal Senator N Minchin went on record in the federal Parliament with the plea for a much needed Population Policy for this country. Likewise a former ALP President, Barry Jones, called for a similar initiative during an Enquiry into this continent’s carrying capacity.

Subsequently at a National Population Summit, convened in Melbourne 25 February 2002, the Premiers of all States except South Australia and the Chief Ministers of the Australian Capital Territory and the Northern Territory, issued a communique recommending acknowledgement of the need for a National Population Policy, the establishment of an Intergovernmental Population Council “to develop communicate and coordinate matters, to educate, to commission research, maintain a national data base and report annually.” It was the Premiers and Chief Ministers plan to meet again within twelve months. Interestingly four years later this grand notion of an Intergovernmental Population Council has disappeared from view.

There have been many other views expressed about the need for a population policy and for measures to determine the sustainable population. CNI takes note of the view of Ross Garnaut, Professor of Economics at the Australian National University who says “without population growth through increased fertility and immigration, Australia would become a declining, ageing place and questions would be asked about its viability as a national

sovereign entity.”(11) Doubts about Australia’s “viability as a national sovereign entity” are echoed in another way by former Governor of Western Australia Lt General John Sanderson, AC who put it this way “One outcome of (the lack of population) is that we are harvesting resources in a massive way, solving our labour (population) shortage and labour costs with large scale imported machinery and a ‘fly in fly out’ philosophy that sees two thirds of this continent - the part that is closest to the rest of the world - virtually empty and emptying out.” General Sanderson went on to say “But we are going to have to import people to provide our labour force and service our communities - much faster than many would find comfortable.” and “From our national perspective, there is no escape from this fact....The big question is how to do it and turn them into Australians as quickly as we can?”... “I am talking about the 21<sup>st</sup> century here - the further horizons and how are we going to hold onto such a large and wealthy tract of the Earth’s surface without increasing the rate at which we share it with others, and indeed nurture it, so that it is a fit place for future generations to live”... “These issues no longer allow a leisurely approach to national strategy - they demand serious and purposeful dialogue to decide who we are and what we have to become in order to produce....sustainability....” “These are the sorts of issues that are emerging with the Chinese and Indian awakening and our geographic proximity to them. There are undoubtedly, great opportunities in all of this for future generations of Australians - that is provided they have the confidence, courage and creativity to take advantage of them. Importantly the key to their ability to achieve this and to control their destiny will lie in the foundation that we build for them now - an inclusive foundation of faith, self belief, enduring infrastructure and a healthy environment. That certainly won’t be the case if we huddle like a frightened and cowed mass in the bottom corners of this continent, measuring our success by the amount we consume rather than by the amount we build. That would surely cause us to die the death of a thousand cuts.” (12)

Clearly in the view of CNI sustainability as a sovereign nation transcends the issue of population policy and over-rides the argument of scientific doomsayers who want to restrict Australia’s population to its current figure or not much more.

CNI has reviewed a number of population projection scenarios prepared by Australian Bureau of Statistics and by CSIRO Sustainable Ecosystems. These use a range of assumptions as to fertility rates and net migrant intake. What can be said with some confidence is that at the current fertility rate estimated at 1.77 births per woman and maintaining current migration levels Australia’s population would reach around 30 million by 2100. Much more will need to be achieved and well before 2100. Of course it cannot be allowed to just happen and further intensify settlement in “the bottom corners of the continent.” Rather positive steps must be taken to swing the axis of population growth to the north and hinterland of the continent.

In the 21<sup>st</sup> Century and beyond do we want the north of this continent to be populated by Australians or do we wish to surrender our sovereignty to some other more populous nation.

A starting point in increasing population would be the implementation of community wide education programmes outlining the subsequent mental and physical health dangers of abortion and the benefits of allowing unwanted/unplanned pregnancies to run full term and then be caught up in improved adoption opportunities. Any reduction in the 100,000 abortions per year in Australia, would be positive for the nation.

Australia must have faith in its ability to develop and populate the north in an environmentally sustainable way and should set about doing it now - National vision,

leadership and courage is all that is required.

## **TOWARDS A VISION FOR AUSTRALIA 2050**

### **(1) Immigration**

In its previous paper (13) CNI outlined in a “background note” the way in which Australia is a country settled by immigrants from almost every corner of the world. It was stressed that discrimination should not be condoned and that there was no place in Australia for racism or racist attitudes. A distinction was drawn between race and culture and the success of post World War II immigration programmes was attributed to the fact that migrants were very largely disposed to and capable of embracing Australia’s culture and customs.

Moreover growing hostility in Australia to further immigration stems from the later changes in Government policy which have encouraged the separate development of different cultures on an equal footing side by side within Australia. This antipathy to increased migration is not confined to Australia but is almost a world-wide phenomenon particularly in post colonial Europe.

CNI continues to argue for increased migration and increased intake of genuine refugees but within a policy framework which will support Australia’s capacity to undertake nation building projects detailed later in this paper

#### **Immigration policy must:**

- ensure that all prospective migrants apply through proper channels and at the time of application are given a comprehensive understanding of Australia’s culture, customs, democratic principles and laws and require a commitment to respect and observe these and to abandon any cultural practices which Australians find abhorrent;
- ensure that migrants speak English or commit to do so within three years. Adequate resources must be made available to achieve this fluency in English which will assist migrants to obtain employment and to fully participate in the community;
- subject prospective migrants to a medical clearance after examination by an Australian doctor; no relaxation of Australian health, produce or animal quarantine laws should be allowed;
- ensure that adult migrants are employable;
- insist that any migrant convicted of a criminal offence, within five years of arrival or of habitual criminality will be deported;
- limit family sponsorship until the migrant is eligible for and gains citizenship. Thereafter priority is to be given to spouse and dependent children and other requests treated with flexibility and compassion;
- obligate all migrants to apply for citizenship within three years. This involves preferably renouncing past citizenship but certainly fully embracing Australian citizenship and avoidance of conflict with others due to entrenched antipathy or other reasons of heritage and wholeheartedly committing to Australia’s way of life and its

institutions and heritage;

- dedicate substantially increased resources to tracing and deporting those who overstay or breach visa obligations and to prosecute those involved in student visa scams and thus enhance the integrity of immigration practice

Australia must remain faithful to its culture, traditions, festivals (Christmas, Easter, Anzac day etc) but still offer to share this country with those who are prepared to treasure the democratic freedom, embrace the lifestyle and culture and give their loyalty as citizens.

## **(2) Special Treatment for Refugees**

Australia must retain and protect the sovereignty and security of its borders and preserve the right to determine who comes to Australia and how. Therefore the Government's efforts to protect our borders are broadly supported. Those 'refugees', who do arrive unannounced should be processed as promptly as possible and allowed one appeal against an adverse finding which must be heard and determined within a short and limited time-frame. Those found not to be genuine refugees should then be segregated from others waiting to be processed and sent back to where they came from without delay.

Whilst acknowledging that Australia, on a per capita basis, has been generous in its acceptance of refugees it is considered that Australia should show an even more compassionate stance and should significantly expand its intake of refugees from around the World. The decision, of course, on who comes and from where is a matter for Australia. All refugees accepted must comply with the principles of migration and citizenship outlined above.

The anecdotal evidence is that a significant number of refugees do not learn English (or at least profess not to speak English), they do not seek employment and they and their partners depend on welfare including the baby bonus - for their livelihood. Measures must be put in place to correct this situation where it occurs.

These principles of citizenship for migrants and refugees should now start to wind back the adverse consequences of multiculturalism. This involves giving the strongest encouragement to all existing migrants and refugees who have been in Australia for three years or more and are not yet Australian citizens, to meet all of the above requirements and to become citizens.

## **(3) Defence**

Should Australia come under threat of military aggression in the foreseeable future such threat would probably come from a country with overwhelmingly greater population, military personnel and weaponry.

It remains therefore both critical and urgent that Australia develops a defence deterrent capability of such technological superiority that no aggressor would be willing to take the risk of suffering the devastating consequences of an Australian retaliatory strike.

Military alliances with powerful allies such as the United States of America are important but it would be foolhardy in the extreme to rely on these as a primary defence asset.

Currently, with Australia's defence forces scattered far and wide and stretched to the limit

the question arises - where is the contingency plan for border protection in the event that some natural calamity, social unrest or break down of law and order sends thousands fleeing to Australian's northern shores seeking sanctuary.

#### **(4) National Service**

As part of a Defence Policy Australia should introduce a National Service requirement for all young Australians. This would take the forms of (i) military based and (ii) non-military. The non-military component would give two choices - social or environmental. These programmes would be compulsory for years 11 & 12 and would count towards employment opportunities where appropriate. Those young people aged 16-18 at TAFE or in employment or unemployed would also be required to participate.

The objective would be to build a sense of national pride and unity among young people and to build on their life skills and confidence to take their place in the community.

This call to bring back National Service was recently echoed by Australia's biggest political youth group, NSW Young Labor.(14)

#### **(5) Family Friendly Policies**

The traditional family, (still under attack, some 5 years on from publication CNI discussion paper (15), remains the best foundation for our society - the cornerstone upon which it is built.

Progress has been made in some of the areas of concern e.g. the declining birthrate shows some sign of a turn around. Nationally the 254,579 births in 2005 were the highest in a decade taking the fertility rate to 1.77 births per woman, still below the replacement rate of 2.07. (16)

Some initiatives such as "Towards a National Agenda for Early Childhood" have looked at the wide ranging difficulties faced by families and the importance of early recognition and intervention when problems arise. However we are yet to see concrete results.

There appears to be no reduction in the incidence of family breakdown and drug addiction and alcoholism, particularly amongst young people, seems to have escalated to alarming levels.

CNI is pleased to see a "Family Impact Statement" is now in place to examine the possible consequences of policy decisions on the family, before Cabinet decisions are made. These family impact statements must be made public not shrouded in Cabinet confidentiality as at present. Some improvements to parenting and family allowances have been made including the \$3,000 baby bonus to become \$5000 by July 2008. The value to Australia of this bonus will be enhanced by paying it in instalments linked to the birth, to completion of an immunisation programme and for first time parents, to participation in an effective parenting group or early years programme for example Triple P.

However many very serious concerns remain:

#### **Divorce:**

A federal task force has recently examined the operation of Child Support and the Family

Court. Some progress has been made towards more equitable arrangements for Child Support and Custody after marriage breakdown but there still needs to be more focus on ways to help couples stay married. There needs to be more than the 65 promised Relationship Centres, especially in country centres and there needs to be very clear guidelines on their function and goals, including pre-marriage education. The Family Tribunal, discussed and rejected as being too costly, needs to be re-evaluated against the cost of divorce and disrupted youth with its attendant anti-social problems, drugs, alcohol etc.

**Obesity:** Programmes highlighting the attractiveness of healthy foods (especially fruit and vegetables) and sensible eating, combined with more exercise at and after school, need to be promoted as a matter of urgency.

This needs to run parallel with a programme of awareness for parents of the danger of feeding their children a diet of fast food, packaged food and drinks laced with dangerous food additives.(17)

Parents need to be made aware of the health dangers of obesity, A.D.H.D., diabetes, behaviour problems etc, posed by too many food additives and processed foods.

**Abortion and Adoption:** Despite scientific evidence that the D-I-Y abortion drug RU486 has caused several deaths in other countries, the Commonwealth Government has authorised the Therapeutic Goods Administration to issue licences for the prescription of RU486 by doctors. This puts the issue of adoption once again on the table. Urgent attention needs to be given to drawing up a Youth Health Education Policy that presents an alternative to the 'Safe Sex' education of the recent past e.g. its 'Safer Still' to Say No (or not yet!). They need to know the full health risks attached to sexual activity, contraception and abortion and to see adoption as a favourable alternative to abortion.

With a comprehensive approach to supporting our families and offering better education and the opportunity of informed choices to our young people, we may be preparing them for more rewarding lives and saving our government millions in rescue packages.

## **(6) Unemployment**

Since July 2002 unemployment has reduced from 6.2% to 5.1% in April, 2006. There are many claims of “skills” shortages and business demands for an increase in the intake of skilled migrants. This is a paradox really as there remains a substantial level of unemployment and “under-employment”. A person working regularly as little as an hour per week is classified as employed. Clearly the corporate and business sector has failed to accept responsibility for training employees whereas Government has not put in place adequate measures designed to encourage business to train and employ more workers.

Unquestionably, Governments both State and Commonwealth must do more to increase the opportunity for apprenticeship and training places for young and older Australians. The move to bring in migrants from overseas to take up apprenticeships must be secondary to training unemployed Australians. Furthermore, apprenticeships must be brought into the 21st century and the training involved concentrated into a more effective and concentrated time frame.

This paper makes no major comment on the Industrial Relations Reform measures “Work Choices” which recently passed through the Parliament. It is CNI view however that in their present form these reforms must be subjected to a Family Impact Statement to ensure that a

fair balance is struck between employers and employees and unions are constrained to act responsibly. One real concern is that in the future real wages will drop leading perhaps to an increase in the numbers of “working poor”. This is a view, which is reportedly conceded by Professor Ian Harper, Chairman of the Fair Pay Commission. (18) It is imperative that the constitutionality of the legislation, based as it is on the “corporations power” rather than the “industrial relations’ power of the Constitution is tested in the High Court.

### **(7) Foreign Debt**

Australia’s net foreign debt has increased from \$332bn in March 2002 to \$473bn in December 2005 and is now more than 54% of gross domestic product.

A significant contributor to the rising foreign debt is the “perpetual” current account deficit which reached a record \$2.7 billion for the month of January 2006. The main reason for the widening in the net income deficit has been higher profit repatriation to foreign owners. (19)

As mentioned above under “Overview” Australia’s foreign debt is set to pass half a trillion dollars later this year but the Federal Treasurer, Peter Costello says it doesn’t matter because it is private debt not government debit.

CNI does not share Mr Costello’s lack of concern. The debt has been largely incurred by Australia’s banks to finance consumer spending including housing. It has not been used for nation building projects. It is not difficult to agree with comment by Pat Byrne and to forecast that in the medium term the strong demand for commodities will abate and then commodities prices will fall and then the value of the Australian dollar will fall. Add to this that US and Australian interest rates have become much closer together which will sway investors towards the US dollar rather than the Australian currency, which would put downward pressure on the value of the Australian dollar.

Then note that “Japan has acted as a giant global liquidity pump lending vast sums at near zero per cent interest “but this is about to change dramatically.” (20)

As the Bank of Japan turns off the cheap liquidity pump, Australia will no longer be able to borrow foreign funds cheaply to finance the foreign debt and this will further depress the value of the Australian dollar. To this scenario can be added the increased pressure on Australian agricultural exports as competition from Argentina, Brazil and China intensifies. This would likely increase the current account deficit.

An additional factor which must be included in the equation is that according to Australian Bureau of Agriculture and Resource Economics (ABARE), Australia is about to go from importing only 22 per cent of its oil needs to importing 50 per cent by 2030. These future oil imports will substantially increase the foreign debt as the value of the Australian dollar falls, making imported oil more expensive.

As these changes occur over the medium term the fall in the Australian dollar will be substantial. The current free market economic orthodoxy would suggest that this substantial fall in the value of the Australian dollar should very significantly boost exports by making Australian manufactured goods and commodity exports cheaper on world markets. The problem is that because of industry policy failure in Australia, manufacturing industry has closed down or been relocated in cheap labour Asian countries. Australia thus does not have

the capacity to boost manufacturing industry exports in the short term to take advantage of the low Australian dollar.

Agricultural and horticultural exports will benefit from the low Australian dollar but their significant imports of cost inputs will offset this due to the increased cost brought about by the low dollar.

In summary with the Australian dollar going down and down, commodity prices lower, global liquidity tighter driving Australia's interest rates higher to attract foreign funds to service the foreign debt and structural problems preventing an increase in manufactures and increased competition for agricultural and horticultural exports, the foreign debt will grow unsustainably and it will then be abundantly clear that the foreign debt "does matter" and new industry policies to overcome the policy neglect of the past thirty years will be essential to help restructure the Australian economy. (21)

As CNI has argued previously, if Australia is to avoid the economic and social crisis outlined above, two policy initiatives are required now to start to address the twin problems of continuing current account deficit and the rising foreign debt. These are, correcting the structural imbalance in the economy and investing superannuation in the national interest.

### **(8) Correcting the Structural Imbalance of the Economy**

Put simply, in Australia, we do not produce enough of what we consume. During the past three decades, successive Australian governments have allowed or aided and abetted the systematic dismantling of our manufacturing industries. This is forecast to continue by the Australian Industry Group's recent report on the future of manufacturing which indicates that Australian manufacturers have sent 30,000 jobs offshore in the past 12 months and are set to send another 30,000 jobs offshore in the next 12 months.(22) The time has come to rebuild the manufacturing sector, industry by industry, so that exports will increase and imports will decrease. This proposal might appear to be in conflict with the notion of so-called free trade. There is flexibility within World Trade Organization rules to enable Australia to pursue such a course in its national interest. It is imperative that the manufacturing sector is rebuilt to reduce Australia's reliance on agriculture and mining, to create new employment opportunities, particularly apprenticeship and training places, to open the way for increased migration and in the process start to correct the current account deficit and reduce the foreign debt.

### **(9) Investment of Superannuation in the National Interest**

Of the total Australian superannuation funds of \$845 bn at December 2005 more than \$225 bn are invested offshore, generating employment in other countries rather than Australia. Steps must be taken to ensure that eventually, all Australian superannuation funds are invested in Australia, in the national interest.

The starting point to achieve this, is to restructure the compulsory component of superannuation into the style of a provident fund which might be named a "National Retirement Savings and Investment Fund". This fund would be invested in secure low cost loans to export and import-competing manufacturing businesses with a discretionary option for the fund to take up equity on favourable terms.

The Fund must be free from political influence, not invested in government business projects

or social projects and must be structured to always earn a rate of return higher than inflation and to be fee free and tax free to the retirees.

Once the compulsory component is restructured a timetable should be set to bring the voluntary funds back to Australia to be invested in the national interest.

### **(10) A Peoples Bank - Development Bank**

A government backed development bank would be an essential facility to address the market failure of banking deregulation, to complement rebuilding the manufacturing sector and to support the spin off developments flowing from the nation building projects referred to below. Such a concept received widespread support during the 2001 Federal Election Campaign. The concept is expanded on by Patrick J Byrne. (23)

### **(11) Increased Domestic Savings**

It is now even more important that the rate and volume of domestic savings is significantly increased to enlarge the sources of funds available for national investment and development. A change in culture from “borrowing and consumption-led” to “savings and investment driven” is necessary.

Tax based incentives to save, including abolition of tax on superannuation contributions should be introduced.

### **(12) Globalisation**

Whilst globalization can be described as the process whereby companies use modern transport and communications to move their capital and technology around the world to exploit the cheapest labour and infrastructure costs to maximise their profits and minimise their taxes, a broader meaning is ascribed to it in this paper.

Globalisation is linked with financial and other deregulation, free markets, both capital and trade, privatisation and structural reform. These concepts either serve the powerful players in the global village or are forced on nations trying to remain competitive in the global village. The World Trade Organisation (WTO) is an example of how the rules are written to protect and enhance the interests of the powerful nations. Australia is not a powerful nation. Tying ourselves to multi- lateral agreements such as the General Agreement on Trade in Services (GATS), as foreshadowed in the DOHA negotiations, limits the power of the government to implement domestic policies which might be necessary for the care and welfare of our citizens and the development of the nation. As one commentator has put it recently, “the inescapable fact is that integrating Australia into the world economy, in the manner we have chosen, makes it impossible for the nation to look after its old, or even to sustain its population at a satisfactory level.” (24)

It is often said that globalisation is inevitable, even unstoppable. It is more likely that history will show it to be a passing economic fad. Whether it is inevitable or not, clearly the time has come for Australia to manage “globalisation” in the national interest, to regulate volatile short term money flows, to move to fair and equitable bi-lateral trade agreements rather than multi-lateral, to more closely overview foreign investment and where necessary in the national interest, to preserve the role of government in the provision of essential services. In bi-lateral trade and investment agreements Australia’s national interest must be paramount

not secondary as is the case with the AUS/US Free Trade Agreement. After twelve months of operation the initial results are not promising - the net result is another billion dollars of deficit in the current account with the US. The US/Aus FTA is an enormously wide and complicated agreement and it may be too early to make a definitive judgement. Moves are under way to negotiate an FTA with China.

What is essential is to recognise the great complexity in trying to agree a fair free trade agreement with China which takes account of all the inequities between the two economies. Australia's own agricultural, horticultural and manufacturing industries must not be jeopardised in any way.

### **(13) Foreign Investment and Taxation**

The time has come to overhaul Australia's attitude to foreign investment. The first test for all foreign investment should be "Is it in Australia's National Interest?" Clearly almost unfettered foreign investment has not met a true national interest test. The purchase by foreign nationals of much of the 'up market' residential home unit developments has contributed to buildings asset inflation putting home acquisition beyond the reach of many Australians and has contributed too, to shortages of building materials and skilled workers. These shortages in turn flow on to major resource projects substantially increasing the costs and in some cases projects become non-economic. Projects genuinely in the national interest are lost because of the lack of control on foreign driven non productive investment. Of even more concern is the inexorable takeover by foreign corporations of Australia's major resource projects. Again many of these takeovers would not pass a true national interest test, for example the major Western Australian Vanadium project which was taken over by what turned out to be a commodities speculator, who closed the plant down thus cutting world supply and increasing world price to the benefit of his or associate companies overseas. Another aspect of foreign investment which would fail a true national interest test is where transfer pricing and resort to tax havens results in the companies paying little or no tax in Australia. Clearly this is unacceptable and the companies, if allowed to invest because it is in the national interest for them to do so, must be required to pay a fair level of tax and not resort to artificial means to reduce this.

### **(14) A Dedicated Agriculture Policy**

In the Crisis Facing Australia, CNI argued in 2002 that Australia has no dedicated agricultural policy but rather an ad hoc approach 'sector by sector' largely driven by adherence to "level playing field, economic rationalist free trade" philosophy and industry and sector lobbying which can be in conflict.

Reference was then made to the sugar industry as providing a classic example of this failed policy approach. It was deregulated some years ago in the mistaken belief that overseas competitors would reduce protection and Australia would remain competitive on world markets. Australian producers did remain competitive as low cost producers in the world scene. They could not survive on the world price of US6cents per pound when, thanks to the American taxpayer, American sugar farmers received US19cents.

Tragically the outcome of the sugar industry crisis, was tax payer funded, Federal Government assistance to help canegrowers leave the industry and "rationalisation" of milling with the consequent negative effects on rural and regional communities. These canegrowers and milling companies were made uncompetitive very largely by the subsidisation of producers by world market competitors.

A dedicated Agricultural and Rural Policy should include the following elements;

- (i) recognition of the fact that the major market for most agricultural and horticulture products produced in Australia is the domestic market not the export market.
- (ii) special consideration for those industries which depend on the export market.
- (iii) specific measures to expand processing of agricultural and horticultural products and development of export markets
- (iv) recognition of the fact that USA, EU and Japan regard their agriculture industries as “strategic industries” and are therefore unlikely to ever significantly reduce subsidies and price support schemes.
- (v) Australia should similarly declare its agricultural and horticultural industries as “strategic” and should take whatever steps are necessary to preserve and expand these industries and culture to make Australia self sufficient and to prepare it for supplying clean and green produce and processed foods to expanding Asian and world markets.
- (vi) Trade Policy and Agricultural Policy must be interdependent ensuring that:
  - there is a distinction between industries relying on domestic markets and export markets;
  - anti dumping regulations are strengthened and enforced.
  - WTO safeguard rules are applied when necessary to safeguard Australia’s domestic industries.
  - Australian quarantine standards are strictly applied, maintained and not weakened in anyway. There needs to be an overhaul of the philosophy of Australian Quarantine Inspection Services and Bio Security Australia to ensure that they operate in the national interest.
  - “free” trade agreements are truly in the national interest and one industry is not traded off against another
  - truth in labelling of country of origin is implemented
  - imported food stuffs meet the same strict foods standards regime as applies to Australian produced food products
  - National Competition Policy is revised urgently to stop processors, wholesalers and retailers abusing their market power. (N.B. The decline in the dairy industry in Western Australia where deregulation has forced the farm gate price to uneconomic levels whilst processors and retailers enjoy increased profit margins at the expense of the consumer and producer).
  - recognition that there must be a balance between agricultural production and environmental regulations. Further the issue of water rights must be reassessed to ensure that ownership and control remain within the public sector. Water is a too precious resource to be allowed to fall under free market trading conditions.(25)

The long term survival of many of Australia’s agricultural industries and therefore the self-sufficiency of the nation requires a change of philosophy involving the adoption of specifically targeted measures to ensure that competitive Australian agricultural industries can compete in corrupt world markets.

This becomes even more urgent when considered in the light of the proposals in section (19) hereafter and is inherent in the need for Australia to manage Globalisation in the national interest.

### **(15) Towards a Drug Free Society**

The goal of a drug free society might seem to be unachievable. What is achievable is a huge reduction in the incidence of illicit drug use and legal drug abuse so that such behaviour

becomes a marginal phenomenon.

When the research evidence is totally compelling as to the serious physical, mental and social harm caused by cannabis use it is astonishing and irresponsible that some Australian States continue down the path of going soft on drugs. The Labor Government in Western Australia is culpable in this regard. It is even more astonishing that these are referred to as “recreational drugs”, a term created by the harm minimisation lobby to suit their aims. There is no place for such misleading terminology.

Harm minimisation philosophies are not sustainable in the fight against drug use and in fact have contributed to increased drug use. What is required is:

- Totally community wide education through every facet of society to promote a drug free culture.
- Criminal sanction for possession and use with opportunity to expunge the criminal record by proving drug free.
- Extremely tough penalties for traffickers, dealers, growers, manufacturers, financiers, legal and financial advisers and those involved in official corruption at any level.
- Genuine long term rehabilitation programmes designed to replace the person’s drug addiction with the desire and skills to take a place in the workforce and community. These long term facilities must replace the short term walk in walk out facilities which are largely a waste of resources.

The above is taken word by word from the CNI policy discussion paper “The Crisis Facing Australia” published 29<sup>th</sup> July 2002.

The policy philosophy outlined is even more relevant today due to State Governments going soft on drugs for particularly Cannabis and the Federal Governments so called “Tough on Drugs” policy being undermined at the operational level by the continued adoption of a “harm minimisation” approach. No where in the world has harm minimisation led to reduced illicit drug use.

Governments and politicians of all political persuasions should be positively alarmed at the results of recent surveys. For example the report by Dr Andrew Campbell, of the NSW Mental Health Review Tribunal “four out of five people with incurable schizophrenia smoked cannabis regularly between the ages of 12 and 21 (26). “That’s 75 to 80 per cent of the people who are getting long-term psychotic disorders are not getting better (27). “The psych wards are full of these people” said Campbell “There is a clear division - there’s the cannabis group and the non-cannabis group”.

A Further example giving cause for great concern is the report that “more 12 to 15 year old’s use cannabis than smoke cigarettes”. (28)

More recently it was reported that in addition to the very large proportion of cases of incurable schizophrenia caused by Cannabis use 10.5% mental health hospital admissions in Western Australia were blamed on amphetamine use. (29)

Clearly the time is now long overdue for all Governments State and Federal to implement the policy outlined by CNI in 2002 and repeated above supplemented by a confiscation of assets power. Failure to do so will result in massively growing wastage of the lives of young and not so young Australians and exponential growth in the cost of mental health treatment in

Australia.

### **(16) Rebuilding the Federation**

In 2002 CNI reported that the trend over many years was for creative decisions of the High Court to transfer State powers to the Federal Government and for States to agree to cede some powers to the Commonwealth. Further that this growth in Centralism has simply increased the power and size and cost of the Federal Government and of Government overall.(30)

Since that time the situation has been exacerbated by the fact that the current Federal Government can also command a majority in the Senate.

As a consequence the Federal Government appears to be mounting an unprecedented attack on the States such that if successful it will lead to the States becoming virtually irrelevant.

The latest test to the powers of the States is the Federal Government's Industrial Relations Reform legislation Work Choices relying as it does on the "corporations power" in the Constitution rather than the "industrial relations power".

Clearly there is a need in Australia to curb irresponsible union power (CFMEU in Western Australia at this time is a relevant example), to streamline industrial relations processes and to strike a fair balance between employer and employee in work place arrangements. Should the use of the "Corporations Power" in relation to the Industrial Relations Reforms be upheld by the High Court, it will spell the end of the Federation as envisaged and designed by our 'Founding Fathers'. There is scarcely an element of the socio-economic business mix which in some way no matter how remote, could not be linked to a "corporation". Thus the Federal powers would be almost unlimited.

CNI continues to argue that the total cost of government in Australia is exorbitant. What is needed is a rebuilding of the Federation in a manner which achieves standardisation of regulations and laws across the States and Territories, where necessary for efficiency purposes. But where powers are handed back to the States and the size of the federal bureaucracy is scaled down and the duplication and triplication of government bureaucracies and cost is eliminated.

The moves by the Federal Government towards the objective of directly funding local government must also be strongly resisted in the interest of rebuilding the Federation. The level of corruption and mismanagement in local government is a further reason for resisting the Federal Government's objective. (31)

### **( 17) Electoral System and the Preservation of Democracy**

In its 2002 Paper CNI demonstrated frauding of votes had occurred in Australia in recent times and that the fraud was facilitated by the looseness of the electoral system (32). It was argued that urgent measures must be put in place to restore the integrity of the electoral system both Federal and State.

Since then CNI has carried out an extensive, continuing campaign to have implemented the measures necessary to eliminate electoral and voting fraud. This campaign has been successful and provided that the recommendations of the Report of the Joint Standing Committee on Electoral Matters (JSCEM) into 2004 Federal Election are implemented

without delay and JSCEM recommendation number 29 is changed to require proof of identity of voters at the polling place on polling day, then electoral and voting fraud will be a sad memory of the past.

### **(18) Clean and Green v WTO and Other Pressures**

Australia has the capacity to develop its agricultural and horticultural industries to supply the growing world demand for clean and green, fresh and processed foodstuffs. Australia must therefore resist each and every attempt to force Australia to relax its quarantine laws no matter from where the pressure comes.

### **(19) National Infrastructure Development**

Post World War 11, Australia experienced a golden age of prosperity and nation building. Governments both State and Federal, undertook major investment in significant infrastructure projects, hydro-electricity, railways, Ord River dam, roads, mining infrastructure and agricultural development are just a few examples. These projects were in some cases allied to the post-war migration programmes where people from many parts of the world were welcomed to come and become part of the building of the nation.

Whilst changes in technology and the mechanisation of much of the civil construction processes have reduced the employment opportunities in any replication of these major infrastructure projects, there are opportunities nonetheless to address the future budgetary problems deriving from the ageing population, falling fertility rates and declining population.

A number of projects have been mooted in the past which could provide employment and regional settlement opportunities for existing Australians and new Australians in a substantially expanded immigration programme. These words are taken from the CNI discussion paper in 2002. (33) The paper went on to describe three projects briefly.

#### (i) The Asian Express

This proposal includes a high-speed railway line from Melbourne to Darwin via Goondiwindi and Mt Isa, with feeder connections from Sydney, Brisbane, Gladstone and Adelaide (via Alice Springs) with a new port at Darwin connecting to new fast shipping services connecting to many ports in Asia and expanded air services from Darwin.

A project of this nature and magnitude would provide incentives for increased rural exports of existing and a wide range of new crops as well as, opportunities for the development of new manufacturing in processed foodstuffs and expanding existing manufactured goods exports. It would service existing and potential mining developments and encourage downstream processing of these products.

As these processing and manufacturing opportunities take hold there will be the establishment of service industries and gradually whole new communities and employment centres will be created.

#### (ii) The Clarence and Macleay Rivers

The Asian Express project would have beneficial spin-off effects in enhancing the economics of diverting the seaward flowing waters of the Upper Clarence, Nimboida and Macleay Rivers into the Murray-Darling Basin. This would create opportunities for irrigation and

hydro-electricity generation and, again, new communities and employment centres. Naturally best practice would be necessary to ensure environmental sustainability.

(iii) The Northern Rivers Project

As the standard of living rises in countries to our North and more and more of these countries' agricultural land is taken out of production for housing, industrial and commercial purposes, there will be a growing demand for clean and green fresh and processed foodstuffs. This potential market for food exports is huge as there are around 2 billion people within 7 days sailing time from Broome. The Fitzroy, Victoria, Roper and Daly Rivers and the vast lands surrounding these provide the potential for large irrigation projects to service the huge potential markets. The associated infrastructure and services developments would also create new communities and employment centres.

Much work has been done to verify the economic and environmental feasibility of these three projects. The prospects are promising but more needs to be done in the case of the Northern Rivers proposal.

(iv) Australian E W Rail and Industrial Smelting Parks Project

This is another example of a Northern Australian project which, if implemented, would lead to down stream processing, population centres and community building. The idea, first mooted some 30 years ago by then Premiers of Western Australia and Queensland, Sir Charles Court and Sir Joh Bjelke-Peterson, respectively and Mr Lang Hancock, involves construction of a railway from Port Hedland to Gladstone. This would enable coking coal and iron ore to be shipped in opposite directions to steel mills at either end.

Leading Australia economist, Saul Eslake said recently "it sounds like an intriguing and plausible concept that could make a real difference to Australia's economy. At the moment, we send iron ore from the Pilbara and coal from Queensland at very great expense 12,800 kilometres to Asia where those products are turned into steel and sold at considerably higher prices to the rest of the world. If instead we railed them to the east and west coast and shipped steel out, we could capture more of the value for considerably less transport cost - here in Australia." (34)

Unless projects such as these and many more based on downstream processing of resources and agricultural and horticultural products are undertaken Australia will simply become the World's largest quarry. Fly in fly out ventures should be avoided in the future and major resource developments should involve community building.

The funding of these projects could be by a combination of government and private sector sources. The current Federal Government has reduced Federal Government debt, to zero creating a unique opportunity for the Government to undertake some old fashioned long term planning and patient nation building.

Many other projects could be considered including tidal power, improved high speed freight systems from South West Western Australia and a nationwide high technology exploration survey to identify new mineral resources.

The careful economic management of the past ten years has positioned Australia well for the Government to involve itself as a major catalyst participant in funding these major infrastructure projects. This is the role of government. It is not the role of government to join in "public private partnerships" (PPPs) nor to establish a "Future Fund" to invest government

surpluses in the share market as proposed by Treasurer Costello in 2005 Federal Budget. If Australia does not develop and populate its northern and hinterland regions some other nation will.

1<sup>st</sup> May, 2006

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