

# AUSTRALIA UP-ROOTED A DISCUSSION

TED WILSHIRE.

## INTRODUCTION

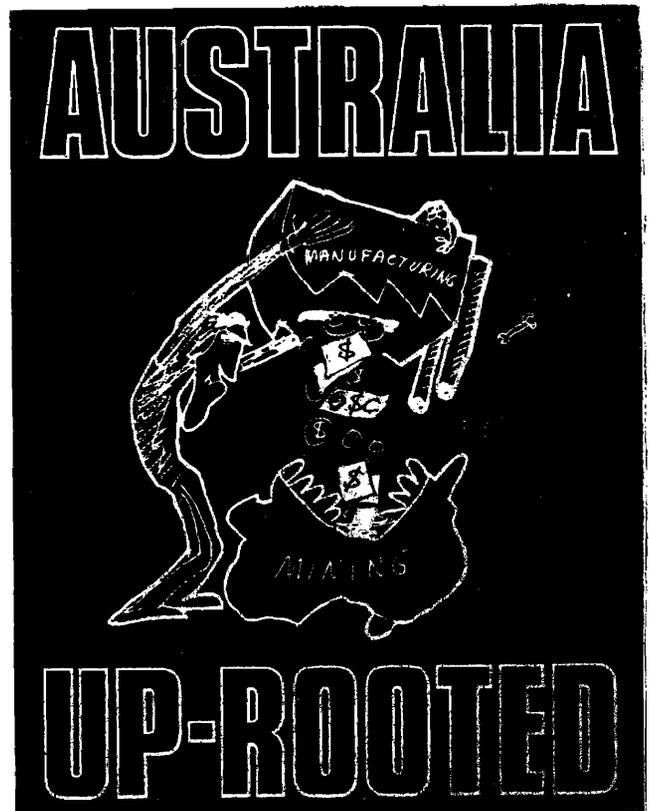
Two weeks ago the A.M.W.S.U. published a booklet entitled 'Australia Up-Rooted'. It is the result of a great deal of professional research but it is distinguished by the fact that it is written in a language that ordinary people can understand. It is an analysis of changes of immense significance that are occurring in the Australian economy, almost unnoticed or understood.

The pamphlet argues that the basic shift in the Australian economy towards the exploitation of mineral resources is having far-reaching and shattering consequences for wage and salary earners, particularly in manufacturing industry.

The response that the A.M.W.S.U. has had to the pamphlet perhaps speaks for itself. In the two weeks since it was published 80,000 have either been sold or ordered.

Early today Bob Debus spoke to Ted Wilshire, a Research Officer at the A.M.W.S.U., about the analysis of the economy that the pamphlet offered. Bob began by asking Ted Wilshire to talk about the economic condition that existed at the time when the Fraser government came to power and pointed out to Ted that the Liberal-Country Party campaign in 1975 was based on a promise to bring down inflation, which it was claimed was the result of excessive wage increases and an excessive government expenditure.

TED WILSHIRE: That's true, I think the people were rightly concerned about inflation at that time and Fraser identified correctly their major concern. But unfortunately the two prescriptions that he outlined were in fact a smokescreen to cover another situation in the Australian economy which is far more drastic and Fraser knew about it at the time.



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\*Interview with Ted Wilshire, Research Officer, Amalgamated Metal Workers and Shipwrights Union. This is an edited transcript of A.B.C. 'Broadband' broadcast 12 May 1977 (repeated 6 June 1977).

The Australian economy had been penetrated by multi-national corporations during most of the post-war period. It led to a situation where they dominated the high profit core of the Australian economy and the situation was that in 1972, almost immediately after the Labor government was elected in Australia that the multi-national corporations in effect pulled an economic coup on the Australian economy by the simple mechanism of vastly decreasing their contributions to net private investment in the Australian economy and vastly increasing the percentage of their profits that they were sending overseas.

The actual figures we have for that time are:

1971-1972 prior to the Labor government's election, the figure stood at 40%; that is, 40% of all net private investment that takes place in the Australian economy was contributed by multi-nationals operating here.

In the very next year they dropped that contribution to 12.3% and then in the next year to 8%, which is virtually tantamount to whipping out 32% of all investable capital in the Australian economy in a period of less than eighteen months.

(Source: Syntec Research Group and Aust. Govt. Treasury.)

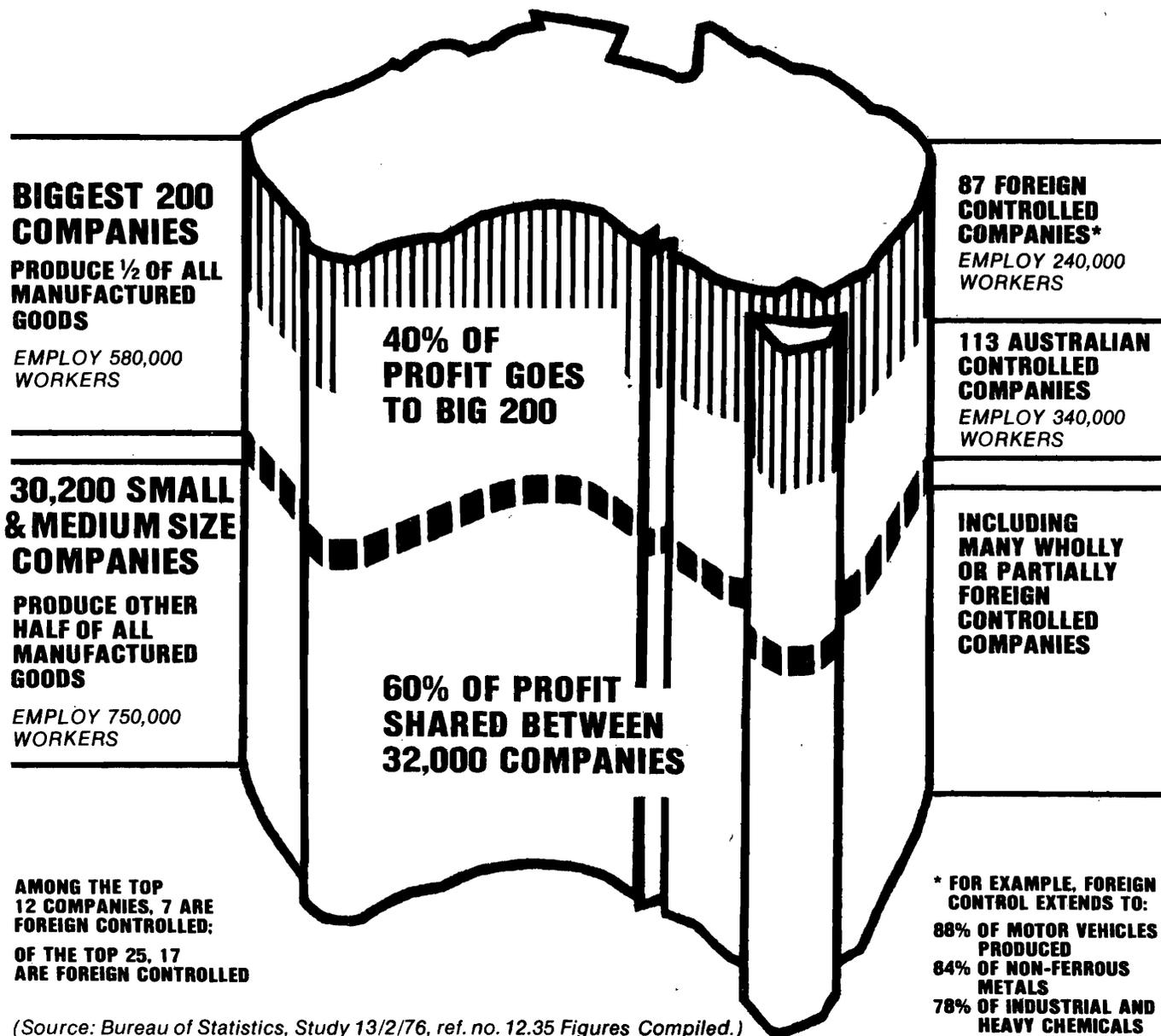
Year	% of private investment funded by overseas companies	% of company income payable overseas
1966/67	23%	23.2%
1967/68	37.6%	28.8%
1968/69	33.6%	27.4%
1969/70	29.9%	26.4%
1970/71	40.3%	29.4%
1971/72	39.7%	27.3%
1972/73	<b>12.3%</b>	<b>32.5%</b>
1973/74	8%	36.5%
1974/75	15.2%	52.7%
1975/76	11%	55.2%

**BOB DEBUS:** People have talked about the sort of movement of capital that you are now describing previously. But it is my impression that they have been generally regarded as being a trifle paranoid about it. Where do you get those figures?

**TED WILSHIRE:** Well, the figures themselves are worked up from two sources; one is the Syntec Research Group, which is the private research organisation closely associated with the Liberal-Country Party government and closely associated with the Fraser Ministry at the moment. They started from some primary figures which were worked up to the period of 1972 by the Treasury Department, completed them, and carried the investigation on to 1975-1976.

We checked them independently from our Research Department, working up on an industry by industry basis and it indicated that the figures were really quite correct. Of course Syntec were quoting them in another context and for another argument. We were able to get hold of the figures and they really are quite significant.

The picture in the manufacturing industry today looks like this:



BOB DEBUS: They are therefore from an impeccable Friedmanite source.

TED WILSHIRE: They are definitely from an impeccable Friedmanite source.

BOB DEBUS: This perhaps explains the other slogan of the Liberals of the time of that 1975 election. This is the one that said that what we needed was an investment-led recovery.

TED WILSHIRE: Yes, they were aware that there had been a gigantic pull-out of investment in the Australian economy, they were aware also at the time that since multi-national corporations had already captured the high profit core of the manufacturing industry and were rapidly moving into the mining industry that the only new investment in Australia could have been in the mining sector, and so in fact they were hoping to produce the economic situation in which the multi-nationals would come back into Australia. That meant that they had to provide the economic

conditions for these people to make exorbitantly high profits, because multi-nationals have a choice of investing in countries like South Korea, Taiwan, Singapore, where workers' wages are about \$7.50 a week and they work for sixty to seventy hours per week. The multi-national corporations can combine high technology with very low wages and make extremely high profits in the manufacturing sector.

The reason that they will come back into Australia is that we have the raw materials. They need the raw materials and they will come back on that level. And I think that what the Fraser government was expecting was that there would be an inflow of capital into the mining sector and that there would be a feed-back from the mining sector into the rest of the economy in terms of the capital equipment and infrastructure needed for mining. They assume that this will provide a boost to Australian industry. That in fact has not eventuated.

BOB DEBUS: This is at the very moment the argument, for instance, of the uranium miners.

TED WILSHIRE: Yes, it's true they claim that most of the capital equipment they are going to spend here in Australia will produce an enormous uplift to the Australian economy, but as yet we've had no evidence that the money will be spent here.

The type of equipment that uranium mining companies will be using is so sophisticated that it is unlikely that it could be built here on the Australian scene. We got a report from the Heavy Industry Manufacturers Association that their sector of manufacturing is so run-down that if they got an increase of 5% in their orders tomorrow they wouldn't be able to fulfill them. So how this is going to be able to generate an economic recovery on the Australian scene, I don't know and I don't think Fraser does either.

BOB DEBUS: The last budget made a number of very substantial concessions to mining corporations and that was followed by the 17.5% devaluation which is something less than that now. Both of those measures seem to be consistent with the sort of economic strategy that you are talking about now.

TED WILSHIRE: Yes, certainly. I think that what happened with the devaluation was that the companies like multi-national corporations hire gigantic research teams, they have 150 people in a department alone to check the value of currencies. They knew that the value of the Australian currency was high in relation to our trading partners and they were waiting for the devaluation before they pumped in an inflow of capital. Of course Fraser came good again, gave them the cream on the coffee and made an extraordinarily high devaluation of 17.5% which was unwarranted at the time, even for the level of the currency here.



But it's probably important to see that this strategy not only involves multi-national corporations from overseas. Some of our own multi-national corporations like BHP, for instance, is directly benefiting by this. They are moving out of labour intensive industries or industries that provide jobs for Australian workers and they are moving into the mining sector which is far more profitable for them, but provides a lot less jobs for Australian workers. Because most of the mining and petroleum chemical industries are extremely capital intensive, they employ very few workers. BHP and others are being assisted to do this by Fraser in the sense

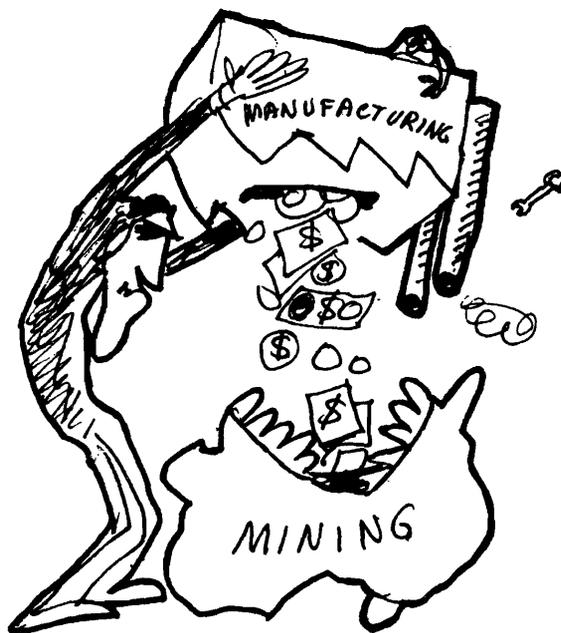
that if they re-invest the normal profits they make through the manufacturing back into manufacturing, they would pay the normal company tax which is 42.5%. But if they invest money in mining ventures from any source whatsoever, whether they borrow it from overseas or whether it flows into joint ventures with them from multinational corporations they pay absolutely no tax which virtually means the Australian taxpayer is paying a subsidy to our own companies, and the foreign multinational companies, to lose their jobs. And that's been brought about by the Fraser government.

BOB DEBUS: Now in fact the mining boom that some people at least dream of seems hardly to be under way as there seems so far not to be a vast increase in the amount of mining that's going on as, say, compared with a couple of years ago, although there are certain signs that it might be beginning. Now if that does happen, and we talked about this on this program a couple of weeks ago in the context of the rural industries, if we have this enormous inflow of investment into mining and we sell vast amounts of minerals overseas, this is going to have certain effects on the value of our currency, which seems to be really very frightening indeed.

TED WILSHIRE: This comes out of a study done by a chap named Dr. Gregory from the Australian National University for the Department of Agriculture and Economics, and in it he was studying the mining boom in the late 1960's and the effect of the mining boom then was to raise the value of the Australian currency to a level where it virtually made import tariffs in Australia ineffective; and not only that, provided a subsidy for imports in Australia. This is, of course, very detrimental to the manufacturing industry. But a rising level of the value of our currency also makes our rural products less competitive on the international market and affects the rural sector of the economy very badly. So what we're seeing is favoured treatment by the Fraser government to the mining sector which directly threatens most of the manufacturing sector and the rural sector in Australia, and I understand that certain representatives of the graziers, etc., in the rural sector are getting hopping mad about it and certainly, from our experience in the union, large sections of the manufacturing industry are as well.

BOB DEBUS: At the same time the government has a policy, re-inforced again in recent weeks, of very high tariffs for manufacturing industry. Isn't this in some way meant to compensate for the likely results of the mining boom?

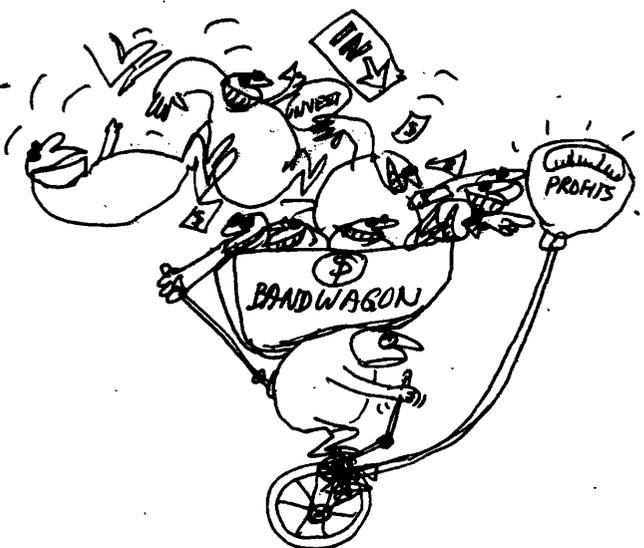
TED WILSHIRE: Well, as we've said, the mining boom that Gregory studied in 1969 will be miniscule in comparison to the one expected to come up in the next four or five years. The uranium miners, the Producers Forum alone are talking about figures like thirty thousand million dollars in sales returns from uranium. Now the extraction of uranium alone will be more than the total mineral extraction in 1969 so we're talking about distortions to the value of the Australian currency of a very high magnitude indeed, and if those distortions or increases in the value of the Australian currency are of that magnitude it doesn't matter what level of tariffs you put on, they're purely window dressing because the high value of the Australian currency would ensure that imports were amazingly cheap in comparison to Australian manufactured goods.



BOB DEBUS: And incidentally make our rural exports uncompetitive.

TED WILSHIRE: Oh yes, I would say the impact on the rural sector is going to be every bit as damaging as the impact on the manufacturing sector. In effect we are talking about structural levels of unemployment of unprecedented size, even for most of the Western capitalist countries. America's been running with structural levels of unemployment of about 7-9%; I would be surprised if ours were as low as that, if we go ahead with that scenario.

If I were to guesstimate a figure I would put it at around 15% of people structurally unemployed. By structurally unemployed we mean semi-permanently unemployed. Not just seasonally unemployed or as a result of a normal downturn in the business cycle.



BOB DEBUS: Well, what sort of alternatives do you think the government might have? I doubt if you're suggesting that Australia ought not to go into the business of exporting mineral resources.

TED WILSHIRE: Well, it depends. It's a matter of degree. We quite obviously have to exploit our mineral resources and I leave aside here uranium mining. I'd exclude that from the picture, but we would have to do it in a controlled fashion and there's no reason why it should be done by multi-national corporations, or if done by multi-national corporations that we should be collecting so little in terms of royalties and so little in terms of tax. I think if people go to the Fitzgerald report on minerals which describes the mining boom that Gregory was also talking about, it cost, from memory — and this is from memory alone, I think there is something like \$2,072 million in profits from minerals extracted in Australia and it cost the Australian taxpayer \$55 million. We didn't get a brass razoo out of it. We had to pay the multi-national corporations to take the minerals away and the same situation is eventuating now, in Australia. And it almost looks as though Fraser is politically allied with the multi-national corporations, almost as though he owes them a favour in some fashion or other which would indicate that the massive pull-out of investment funds during the Labor Party period here was a fairly well orchestrated operation.

BOB DEBUS: It's perhaps worth while then, Ted, talking again more specifically about the sort of responses that manufacturing companies are making already to this re-structuring of the Australian economy, in the direction of the miners. We do have all these newspaper articles describing numbers of companies, Dunlop and so on, moving offshore.

TED WILSHIRE: That's right. I think that one can't talk about the manufacturing industry as an homogeneous group with totally homogeneous responses to this particular re-structuring. Of course the big manufacturing companies like BHP are jumping on the high profit bandwagon of the mining industry as rapidly as they can and are throwing off and tightening up their operations in milling and manufacturing. The sorts of alternatives that are open to very large companies aren't open to very small companies, and we must remember that in the manufacturing industry here in Australia, some 200 big companies dominate the scene out of a total of 32,000 companies, the small and medium companies employ more people.

The small ones are very labour intensive, I think about 30,000 of them employ less than 100 people and they quite obviously do not have the options of capitalising, putting in new capital equipment or of moving offshore as many other companies are doing. The ones that are moving offshore are mainly medium size manufacturing companies who can raise the sufficient amount of capital to move their plant from Australia to Southeast Asia and take advantage of low wages there. They then import back into Australia. But the problems with the very small manufacturers too is that they live in this Friedmanist dream-world where they are talking about laissez faire capitalism in competition and they have this sort of ideology when they come to meet with the trade union representatives. I remember being with a group of them and talking to them about it and they were talking about competition and the level of wages, etc., etc., and they had no idea that a structural shift was taking place in the Australian economy, nor that they were threatened by the mining industry.

This sort of realisation is starting to percolate down through the ranks of the manufacturing industry. Despite the myths about how astute our entrepreneurs and businessmen are, quite a large number of them are fairly thick. It takes a fair bit of time for understanding of this particular thing to get through to them.

BOB DEBUS: Well, finally in the context of these momentous economic changes that are going on almost unperceived the government's new industrial relations legislation begins to make a little more sense in terms of a strategy. The common criticism of it is that it's against the interests of secondary industry, and indeed many employers have indicated that they are worried at the sort of unrest that might follow. But in the scenario you are painting this legislation does make sense.

TED WILSHIRE: That is what is required to in fact generate increased profits. The attack on wages and the attack on unions is being orchestrated under the banner that wages cause inflation in Australia. Because people are concerned about inflation that hits home most of the time and so therefore they are on a winner on this particular theme. There are other very real reasons why they want to drive down wages in the Australian scene. They want to stave off the annihilation of the small manufacturers for as long as possible in case they become a political force opposing them. They want to be able to generate lower wage levels for large manufacturing companies, such as BHP here in Australia, so that they can drag as much profit out of their manufacturing operations to channel it into the mining operations as possible. We really are talking about a government that does represent big business and openly represents big business. The talk about wages contributing to inflation is purely a smokescreen. It has kept the whole economic debate in Australia on such a superficial level that a knowledge about this big, vast structural shift that is taking place in the Australian economy hasn't managed to get out through the media yet.

BOB DEBUS: But at some stage if this structural change continues on the path that is proposed we are in fact going to have vast numbers of people out of work.

TED WILSHIRE: And we're going to have a lot of industrial disputes because unions involved in the manufacturing industry are not going to lay down and take the fact that large numbers of workers will be sacked in the interests of multi-national corporations or big business here. Fraser anticipates that these industrial disputes will take place. Therefore he needs a range of legislation with which to handle the unions and with which to destroy the unions. That is the context in which it fits.

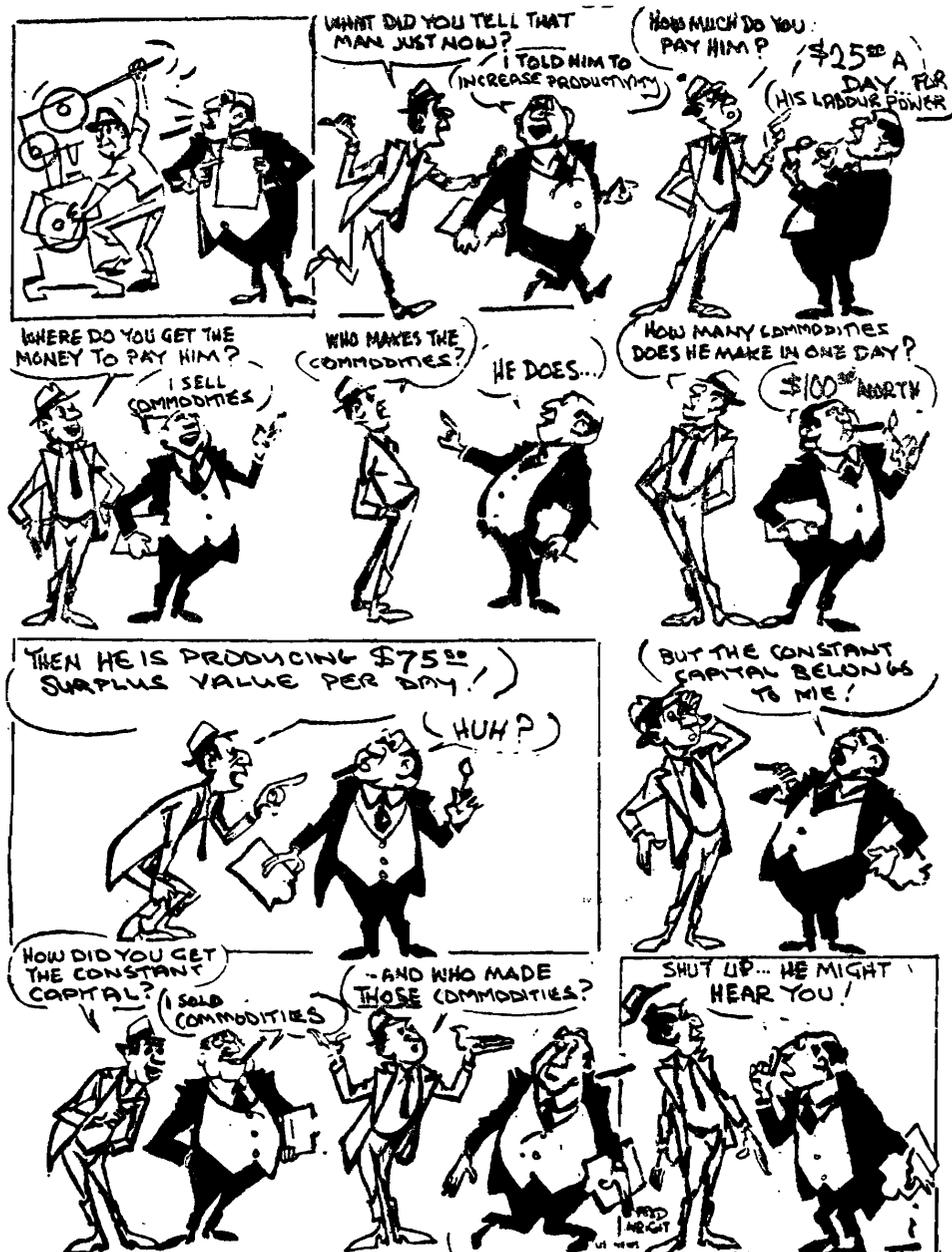
BOB DEBUS: And of course right now at this moment when unions are at their weakest or are weaker than they would be at a time of high employment, is precisely the moment to introduce such legislation with an eye to future recovery of some sort.

**TED WILSHIRE:** Of course, workers are intimidated by the fact that they may lose their jobs tomorrow and that there are vast numbers of unemployed ready to step into the ranks if they do move into industrial disputes, so opposing the legislation becomes more difficult at this time.

We must remember also the eighteen-month careful preparation through the media of the Australian people to accept this sort of legislation. This anti-union campaign has been carried to the point where I think that 70% of Australians believe unions are too powerful. But given the scenario I've just outlined, that is rubbish. It is the multi-nationals and our own big companies who are holding the country to ransom.

A.M.W.S.U., NATIONAL OFFICE  
SYDNEY

(This is the same cartoon as the one on page 33, but with a Marxian flavour.)



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