

Australia's lessons from history

BY GINA RINEHART

In just one day, the global population will grow by more than 212,500 people, 625,000 people will be connected to the internet, 300,000 Twitter accounts will be opened, nearly 100,000 people will move to the cities in China and India, 162,500 new cars will be sold and the world will use more than 17.5 million tons of coal. We live in a rapidly changing world. Too often Australians forget this. Let's refresh ourselves with a few points:

1. Energy is as basic to our existence as food, shelter and clothing. Some 3.6 billion people in the world (half the world's population) lack adequate energy access, and 1.5 billion have none at all. Try to imagine life in their shoes.
2. Energy access also means access is possible, costs are reasonable, and supply is reliable. Expensive energy chokes off economic growth, hurts family and low-income budgets, sends factories and value-adding overseas and deeply influences winners and losers in global competition.
3. The world is in the early stages of global hyper growth in energy demand. This is being driven by emerging nations, such as India and China (and others), industrialising, urbanising and raising their standards of living. Aussie-sized populations are moving to the cities and buying cars and appliances that need power to make and run. By 2050 it is estimated 70 per cent of the world's population will live in cities (some nine billion people), with electricity generation up 140 per cent and GDP up 255 per cent. China alone has announced plans to build 45 airports in the next five years, and is building tens of thousands of kilometres of conventional and high-speed rail. It has already passed Japan as the world's second-largest economy and continues to grow.

I have highlighted just a few points about the world of the future that Australia faces. It is a changing world.

We also have much to learn from the past and to draw on to improve our future.

Take the incredible example of Hong Kong last century. Just about its only material asset was a magnificent harbour. It had no fresh water supply, very little arable land, no mineral resources to speak of, and year on year had to take in thousands of refugees fleeing empty-handed from Communist China.

But Hong Kong was a 'lucky' society in some important ways. It had 50 years of free enterprise-based colonial rule that emphasised very low tax levels, free trade and an absence of bureaucracy and regulation. In fact, it was arguably the most economically free society in history.

The result is known but worth repeating: Hong Kong, in per capita income, rose from being a basket case after World War II, breezed past Australia (one of the two or three wealthiest countries in the world in 1900) by the late 1980s, and remains – even after being reunited with China – one of the wealthiest societies per capita in the world.

Other countries can tell similar stories. West Germany, for instance, rose from the ashes of World War II to become the economic powerhouse of Europe within a few decades. What happened there? Was it just aid from the Marshall Plan that got them on their feet? Actually



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West Germany received less foreign aid after the war than Great Britain and other European countries.

West Germany was profoundly 'lucky' to have a finance minister, Ludwig Erhard, who believed in the potential of a citizenry freed from the burdens of government planners and allowed to build wealth for themselves. In 1948 he announced 'I shall replace the bureaucrat with the businessman.' And he did: slashing all manner of taxes and price controls. Domestic investment soared to 75 per cent of all investment in Germany by 1953. Germany outshone the rest of Europe with its growth rate over the next decade.

Even though she received a huge amount of postwar foreign aid, Great Britain, after fighting so hard to protect our basic human freedoms, was not so 'fortunate'. As if oblivious to what she had achieved, Great Britain plodded along for decades under regimes that, with too little respite, relied on massive government intervention to guide the economy. Britain now sadly labours under massive debt.

We need to remember these real, not theoretical, lessons from the past and remember that it is relatively easy to upset and squander our future.

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Let's listen to some people I admire, who have very kindly agreed to be quoted for this publication: Brian Gilbertson, ex-CEO of BHP Billiton and ex-CEO and Chairman of Jupiter Mines, warns:

'Global competition for resource investment is growing year by year, and is likely to intensify as strong demand from China, India and others continues. Australia already has a high royalty rate and a high corporate tax rate, and that is before the MRRT and Carbon Tax. These erode Australia's ability to compete.

If Australia is to remain a world leader in the sector, a major developer of resource projects and an exporter of commodities, it is imperative that public policy, particularly taxation policy, should not deter foreign investment, thus eroding the nation's long-term competitiveness.'

Greg H Boyce, Chairman and CEO of Peabody Energy, had this to say:

'Energy Minister Martin Ferguson recently highlighted Australia's electricity crisis, stating that rates are up 40 per cent in the last three years and are on a path to rise another 30 per cent in the next three. This warning is just one more reason why the Australian Government should reject a carbon tax, which would punish electricity consumers and hamper employment, manufacturing and mining. Industries and individuals would be doubly impacted by a carbon tax – first by the inevitable rise in electricity rates, and then by the direct cost to businesses that would pass on to Australian consumers. And both of these factors would make Australia far less competitive in the global marketplace and to global investments.

Access to affordable energy is a human right and essential to modern life, like air, food and water. Coal is the world's fastest-growing fuel, and the world's best economies are embracing new coal plants. We have advocated the Peabody Plan to increase global electricity access, eliminate energy poverty, develop advanced coal generation and commercialise carbon capture and storage.

Australian greenhouse gas emissions are a very small percentage of the world's emission profile, and a carbon tax would have no discernible impact on global emissions. Rather than pass a harmful carbon tax, Peabody urges the Australian Government to ensure affordable electricity for all while pursuing construction of state-of-the-art

coal plants and continuing to invest in projects to store and reuse carbon dioxide. Australian leadership in this area would set a positive example for the world to follow, even as the world consumes more coal every day. A positive technology-based program – and not a punitive carbon tax – would be good for both Australia and the world.'

Thank you gentlemen!

Contrary to what some carbon tax supporters allege, other countries are becoming increasingly wary of moves against carbon dioxide, especially as their citizens feel concerned about increasing energy costs and job destruction. On 19 May, 2011, Canada killed off its carbon tax and at the recent G8 meeting in Deauville (France), Russia, Japan and the United States walked away from support for a post-Kyoto deal. Why is it taking Australia so long?

Australian business needs to recognise that it is part of the problem. Not taking a bold enough stand against such investment deterring proposals as the carbon tax, and additionally the MRRT; costs that don't just hurt selected business entities and their shareholders, but Australia itself, and when Australia is also facing increasing competition from very low-cost areas it hasn't had to compete against before, such as extensively mineralised West Africa.

The world is moving ahead and we should put forward better policies for Australia's future for the national debate.

Even anti-capitalist regimes such as China's have acknowledged for decades the value of economic zones. Shenzhen, for instance, was a village under Deng Xiaoping in the 1980s and is now a thriving metropolis of more than 10 million people.

Across the world, governments are recognising the value of opening up zones of economic freedom within their borders. The United States and United Kingdom have designated urban development zones, as have Russia, Poland, the Ukraine, and Dubai.

Within our geographic region, special economic zones continue to open up. The Philippines has 200. Bangladesh has eight, and proposes to set up another seven by 2013. India has 220 and is proposing another 260. Malaysia's first economic zone opened in 2009 and is expected to create 220,000 new jobs. Within that zone, the Senai HiTech Park is not yet fully operational, but already

has hundreds of millions of dollars in investment proposals in progress.

Australia should act similarly and quickly. Australia's freight advantage to nearby Asia, has cushioned Australia against its high costs; however, as I warned earlier, China has created three new ports to handle 400,000DWT ships to receive ore from Brazil at low freight cost, and Brazilian iron ore giant Vale is also building a major distribution hub in Malaysia. These will increase the range of mills in Asia that the Brazilians can service with their blended ore, thereby affecting Australian suppliers, particularly those with lesser-grade ore.

That's smart thinking on the part of the Brazilians and the Chinese and South Koreans too.

What is Australia's reply? Our reply is to do nothing, and make ourselves even less competitive with MRRT, carbon tax and ever-increasing regulations.

According to a recent independent and professionally conducted survey taken in May 2011, a clear majority of Australians (60 per cent) believe that Canberra doesn't understand the special needs of northern Australia. Australians polled by Galaxy favoured the creation of a special 'Northern Economic Zone'. In regional Queensland and Western Australia the vote for a Northern Economic Zone was higher in favour – 73 per cent. This shows support for the ANDEV vision.

In the short term, a Northern Economic Zone would signal to investors that Australia is serious about competing with emerging rival sources of mineral wealth in Africa and elsewhere. It would demonstrate Australia's willingness to actively engage with nations and communities in the region for more than just government meetings and government-to-government foreign aid.

In the long term, an economic take-off in Northern Australia, which ANDEV's policies promote, would have lasting benefits for all of our country.

When one recalls what little, resource-poor Hong Kong achieved with its enhanced economic freedoms in 30 years, the opportunities for similarly unhampered, low tax entrepreneurs investing in a Northern Economic Zone, and what they could achieve, are exciting. www.andev-project.org

ANDEV's website is www.andev-project.org. New members are welcome.