Dear Sir,

Norway has a $850 billion sovereign wealth fund accumulated from oil revenues and Switzerland has $500 billion in FX reserves accumulated through high demand for the currency. Australia, on the other hand, has $900 billion of foreign liabilities, the accumulation of which has provided lucrative employment to Australian bankers and lawyers over the past 3 decades, and contributed to the AUD being the world's fifth most traded currency. These liabilities need to be offset to the $1.5 trillion national superannuation pool, when recognizing national prudence. The Australian Tax system gives preferential tax treatment to a HK citizen to invest in an A$ deposit or Eurobond vs a domestic Australian(who pays income taxes, or purchases it through Super with all the bureacracy and costs), and the appeal of this to them is certainty of return, capital with quality borrowers, but currency risk. When Westpac asks your inquiry to look at using Super to fund the banks $600bn gap, look at the issuers of the CBA HK's A$ Eurobond business, and look at the financial flows. This foreign debt is accumulated current account deficits(because we can't produce exports, other than resources and agriculture), mostly A$ denominated, and is financing rising city house prices. We are accumulating foreign liabilities, to purchase our own property, and seeing it as wealth creation. I would have been better off remaining unemployed in HK for the last 10 years and investing tax free in A$ eurobonds, than with all the superannuation rules, red tape, taxes, administration, fees and risks which have left my funds with close to zero return for that period. Macquarie Bank exploits this inefficiency, by pushing equities and funds management products, while they underperform their benchmark, and I am stuck with their poor past performance, and high costs of moving to an alternative. They advise into self managed super, but don't know the rules on the way out! In last year's budget there was a $58 billion expenditure for aggregated veterans and aged assistance, to which needs to be added pension payments to retired public servants, and the states and local councils burden, to determine the cost to this year's taxpayers of yesterday's lifestyle. Like so many Australians in business, engineering, medicine, biotechnology or computers I found better opportunities overseas in US, HK, Singapore, where groundbreaking enterprise locates and attracts global workers including people from China, India and Iran. The top performing investment sectors of Australia in the past two decades are residential property fueled by the domestic liquidity of these eurobond funds, and the top 10 stocks which have leveraged growth to the economy. This is a narrow base, and much of this economic growth has been driven by immigration, which increases the headcount, despite the aussies going offshore. However the immigrants aren't very skilled, working in the public service, public transport, small business, and trades in an overpopulated world. Consider that a Filipino waiter earns $100pm in Philippines, $500pm in Dubai(with a roof over their head, new clothes, food and public transport, with some left to send home), $1,300 in HK and Singapore, and our minimum wage is $2,500. Does the Indian I saw interviewed on TV, talking about his lost job at Phillip Morris factory, or the subsidized SPC Ardmona workers, get paid the minimum wage? I suspect that's another big distortion in our system of economic justice and efficiency. Australia can't afford to offer a couple an approximately $500,000 asset for reaching age 65, which is the present value of the aged pension. Those grannies moaning about the perceived threat to the pension on the last election's Labor party ad may have owned a humble city dwelling, worth $750K, which a young lawyer can't afford. Our third biggest export is education of foreign students, but if that is only to provide residency for hairdressers and cooks then we are ignoring the future, just as we ignored the present in the past. The $14 billion revenue this brings to the nation, is then at the expense of our children, and highlights our lack of producitivity when even today, the Swiss export $20bn per annum in watches. In Dubai, an Emirates hostess is more productive than a Qantas one, working for $2,000 per month and find incentive in that. This looks like the government's perpetual path of least resistance, but the next generation of Australian's won't have the capital to buyback Aussie farms from foreigners, and their inherited wealth, will be a boring house like Julia Gillard's in Altona, with a value of A$900,000, so let's convert our housing wealth to foreign assets and payback some of the debt. A young professional who inherited sucha place, would be well advised to use the proceeds to buy a better place in the US, find a better paying job there, and pursue their future. In the US the combined assets of Bill Gates and Warren Buffet are equal to that of the bottom 40% of the population. This means that 120 million people have nothing for a rainy day and are living beyond their means because their retirement is unfunded. We are fortunate to have the space, climate and resources to be able to produce $200 billion of energy and commodity exports with under 3% of our workforce. Much of this work could be performed by cheap overseas labour bringing better returns to all Australians, and our shrinking agricultural workforce needs a boost. We should collectively reserve some of this, but instead our remaining workforce underproduces, and as consumers we have a compounding appetite for imports. The US exports in technology, HK and Singapore export in business services, Germany exports in engineered goods and services and all work much harder to generate their foreign exchange. When a young Australian actuary, doctor or computer programmer looks at taxes, incomes, working conditions and domestic help and then considers his savings opportunities, home prices and commute into the office, overseas looks attractive for living. He is lucky that globalization will provide choice, because despite it's high economic growth Australia is not providing the range of opportunities a clever country should, working or retired. The link between today's economic GDP, the national balance sheet and the future is not broadly discussed. For all the talk about the need for self reliance in retirement, it is clear that the contributory components of education, income optimization in work, and savings for retirement need to still be reformed to increase, the insufficient 14% who are wholly self reliant, for generations down the track, because Government inefficiency and rip offs don't work, for a decent community.

The net creditor countries, listed below are the net financiers of our foreign debt. Their $14 trillion in foreign assets are accumulating at the rate of $1 trillion pa, so as long as Australia is perceived as able to repay it's debts, our liabilities will be attractive at higher than world interest rates because these creditors struggle with finding FDI opportunities. Perversely this will be a factor to keep the currency on the high side of equilibrium, squeezing our exporters, and acting like a mortgage against our space and resources, increasing the wealth of this generation.

	Net Foreign Assets trillions	Current Account Surplus billions
Japan	3.3	48
China	3.0	14
Germany	1.7	247
Holland	0.3	80

Scandanavia	1.0	117
Russia	0.5	40
Switzerland	0.7	77
HK/Singapore	0.8	55
Korea/Taiwan	0.8	117
Middle East	1.5	137
Total	13.6	932

Australia has $1.4 billion in retirement savings, which equates to $20,000 per worker of the 7m non public sector workforce. If each of them is half way through their career on average, this means they have $40,000 at retirement, but is a pittance to the aged pension pv of $500,000, and people say they are dealing with the problem! Then there are corporations, and Nestle commenced operations in Australia in 1907, which was then it's second biggest export market. Today Nestle has a market cap of $200bn, Australia sells its unprocessed primary produce cheaply, and shares in none of that Swiss global ingenuity.

Yours sincerely
Andrew Bergwald