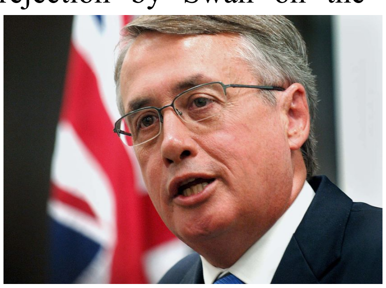
Swan's Song

By Dr. John Bruni

On April 8, 2011, Australian Treasurer and Deputy Prime Minister Wayne Swan rejected a proposed merger of the Singaporean and Australian stock exchanges.

This announcement was met with derision from the 'big end' of town where acquisitions, mergers and consolidations are all part of the law of big financial returns. To these people money talks, and liquefying assets is a guaranteed way of raising capital that can be reinvested in other, more lucrative ventures. As the well-known lyric by Fred Ebb says: "Money makes the world go round." The more you can make, the more wealth can be generated and in theory, (particularly political theory) distributed to those in need. It seems a win-win situation. For those more cynical about the motives of the global capitalist elite, however, this rejection by Swan on the advice of the Australian Foreign Investment Review Board (FIRB) was a triumph for national sovereignty over the acolytes of globalisation.



Swan's announcement was certainly a welcome reprieve to Australians doubtful of the national benefits of 'selling off the farm' and should stand as a reminder that once you sell something, you cede control over what was sold. Had the Singaporeans succeeded in acquiring the Australian Stock Exchange (ASX), it is Singapore that would call the shots, relegating Australia to a minor league status in international finance. Sure, some Australians privy to the inner workings of the sale would have netted sizeable personal fortunes, but the Australian government's ability to exercise regulatory control over the Singaporean Stock Exchange (SGX) through the Reserve Bank of Australia (RBA) would be limited to say the least. And while Treasurer Swan accepted the Australian Foreign Investment Review Board's findings that the proposed acquisition of the ASX was not in the national interest, Swan stated that:

> *"I have asked our Council of Financial Regulators to establish a working group to consider potential measures which could be introduced to ensure our regulators can continue protecting the interests of Australian issuers, investors and market participants.*
>
> *"A key consideration would be preserving the integrity of our financial infrastructure and the strong ability of our supervisors to maintain robust oversight in all market conditions, including in the event of a future commercial arrangement between the ASX and another exchange."*

What exactly does this mean? It means that the idea of selling the ASX is certainly not off the agenda. It means that so long as we can get a foreign buyer who will undertake to abide by Australian requirements in perpetuity, the government of the day will sign off on a future ASX sale. But wait a minute. What buyer will allow the seller a controlling stake in their stock exchange once it is sold? Surely there are no international laws that can bind two unequal parties to such a deal? The buyer buys and controls while the seller by dint of selling loses control. The best way to 'maintain robust oversight in all market conditions' would logically mean to never put up the ASX for sale and thus retain Australia's ability to control its own financial destiny. This may be a very outmoded way of thinking at a time when we hear so much of the benefits derived from globalisation.

But what is globalisation? There are three meanings:

Firstly, globalisation is a process whereby financial and investment markets are decoupled from the nation-state and operate internationally, aided by national deregulation, privatisation and high volume information flows over the Internet.

Secondly, globalisation is the development of a single global marketplace where the nation-state has little control over its economy and where the behaviour of multinational corporations can cause international capital to flow into and out of countries, ignoring borders and national regulatory authorities.

Thirdly, globalisation is a descriptive or classification for companies operating internationally.

While the first two meanings ring familiar in the public domain, what is not so commonly looked at is the third meaning. A company, even a large multi-billion dollar company has a point of origin – a national home. That company may very well operate outside of the country of origin, but a British, American or Russian firm, multinational or not, is still considered a product of its home country, that's what gives a company its brand. As consumers, we often make choices on what to buy not just on the corporate logo, but also on the national point of origin of that logo e.g., a German car, a French wine, an American computer. We all know the national orientations of 'multinational' companies. Multinational corporations are not stateless entities run by stateless people. Their national governments have vested interests in promoting them in their business ventures offshore because it is seen as a sign of *national* success and *national* economic dynamism.

The problem for a country like Australia is that its domestic economy has not encouraged the development of a sophisticated industrialised base. Our multinationals are in the extraction business – extracting resources from our land and our sea and exporting raw materials to other industrialised places where they can be refined and sold back to the Australian consumer as a finished product. Our economic national culture is built upon selling unrefined commodities, and, when we don't have the available capital to keep this activity going, we sell our land and infrastructure to the highest bidder in the hope of raising enough cash to reinvest elsewhere. The problem of course is that Australia, as a continent, has finite land and resources which once they are sold to foreign interests, are no longer under Australian sovereign control. The same can be said for Australian infrastructure. With utilities sold to offshore interests, no Australian state or federal government can control the price we pay for water, electricity and telecommunications though various ministers ever so often try to reassure concerned citizens that all is under control. But that control belongs to someone else and that someone else is not some amorphous globalised entity. It is a multinational from another country.

So what are we seeing with globalisation? Are we seeing the development of a New World Order where a stateless capitalist elite travels the world having no loyalty except to itself and the God of Profit? No. What we are seeing is a shift in sovereignty. Sovereignty is not an outmoded concept. Indeed, the SGX-ASX 'merger' tells us something about the nature of globalisation. Those nations who aggressively defend and promote their interests are the ones who will maximise their national sovereignty over nations who place little emphasis on this. Unfortunately for Australia, a country known to have long ago ceded its foreign and defence policies to its great and powerful friends, is in danger of ceding its economic destiny to its friendly partners in the Asia-Pacific. In the long-term this will place Australia at a great disadvantage as it struggles to make its way in a predatory commercial environment, all the while believing in the sustainability of short-term financial windfalls from selling off national assets.

Swan image:

http://www.zcars.com.au/images/wayne-swan1.jpg
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