

## Australia Dossier by Robert Barwick

### Banks open for foreign takeover

*The federal government is trying to sneak a through a disastrous "bill of rights" for multinational companies.*

Australia is poised to sign a new international treaty that will open its domestic banking system to total foreign takeover. The Fifth Protocol to the General Agreement on Trade in Services (GATS) is promoted by its authors in the World Trade Organization (WTO) as just another step in trade liberalization, this time in the area of financial services. However, the Fifth Protocol has been rightfully denounced by its opponents as a "back-door substitute" to the Organization for Economic Cooperation and Development's widely despised Multilateral Agreement on Investments (MAI)—the so-called "bill of rights" for multinational companies that was defeated last year by bitter opposition in numerous countries, including Australia.

The Fifth Protocol represents an all-time low for sovereign national control over the Australian banking system. Under its terms, the countries that signed the 1994 GATS have nominated, in a "Schedule of Specific Commitments," the financial services areas they would be willing to further liberalize. Canberra nominated Australia's domestic banking and insurance sectors, in keeping, it says, with new government policy toward the financial system that came out of the 1997 Wallis Committee of Inquiry. This committee recommended a raft of financial sector "reforms" geared to achieve complete deregulation. The Wallis Committee was the sequel to the 1980 Campbell Committee, based upon which the former Hawke/Keating Labor government opened Australia up to foreign banks, although not allowing them to take over domestic banks.

The Fifth Protocol, however, goes the whole way: Now foreign banks will be permitted to buy up Australia's major banks, as well as to buy into the former national central bank, the Commonwealth Bank. Since its privatization in 1996, and until now, both domestic and foreign banks have been prohibited from holding any shares in the Commonwealth Bank, and no entity has been allowed to own more than 5%.

In testimony to the Parliamentary Joint Standing Committee on Treaties, the Department of Foreign Affairs and Trade defended the Fifth Protocol against allegations that it would cause all domestic banks to be snapped up by foreign multinationals, by insisting that it was in line with 1997 policy that lifted the blanket ban on foreign takeovers, and that any attempted takeover will have to meet a "national interest" test determined by the Treasurer. However, Peter Westmore of the National Civic Council, a conservative political lobby group, pointed out to the May 9 *Sunday Herald Sun* that the onus would be on Australia to show how it was not in the national interest. "If a government were to veto a foreign takeover, it could be ordered to pay compensation by the WTO," he said. Furthermore, Australia's treasurer is invariably controlled by the City of London—which is hardly concerned with "national interest."

Westmore also points out that since the GATS treaty was first signed, eight of the country's ten largest stock brokerages have been sold to foreign interests. That the banks will be sold as well, was essentially admitted by Sen. Barney Cooney, the deputy chair-

man of the Joint Standing Committee on Treaties, which recommended that the government sign the Protocol: "Any foreign investor could buy our banks," he said, adding lamely, "But they would have to comply with our regulatory regime."

Ironically, the Fifth Protocol debate comes exactly 50 years after Prime Minister Ben Chifley and his Australian Labor Party attempted to nationalize Australia's banking system, which was vetoed by the Privy Council. Chifley's idea was to harness credit creation to national economic development, in the tradition of the American System of political economy, as devised by America's Treasury Secretary Alexander Hamilton in the 1790s.

The Canberra government has tried to sneak the Fifth Protocol ratification through Parliament without public scrutiny. The only official announcement that this new treaty was under consideration, was a small advertisement in a national newspaper in May 1998, which simply listed its name as one of eight to be considered by the Parliamentary Joint Standing Committee on Treaties, and calling for submissions. In reply, the committee received a paltry 16 submissions, all from one state, compared with the thousands upon thousands (mostly negative) received in response to the earlier, widely publicized MAI inquiry.

In March, the committee officially recommended that the new treaty be signed, dismissing the objections that were submitted as "overtly conspiratorial," and defending the treaty's erosion of sovereignty with the perpetual hollow promise of globalization: that the economic benefits flowing from "liberalization" far outweigh the consequences of shrinking sovereignty. Australia is expected to sign on June 15.