

VIEWPOINTS

WE SAY

Rare earths are not rare

Rare earths are not particularly rare. China's embargo on exports of the minerals has prompted producers elsewhere to swing into action. More significantly, the episode has raised doubts about China's reliability as a supplier. Various countries have thus been pushed to establish strategic stockpiles of rare earths.

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COLUMNS

Myanmar's opportunity

The international media has dismissed the coming Myanmar election on Nov 7 as a "farce". This is an injustice to the country. However flawed, the coming election does offer the Myanmar people choice, says Bridget Welsh.

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A real page turner

The advent of e-books poses a challenge to authoritarian regimes. While you can ban physical books from libraries, you can't ban e-books downloaded onto millions of handheld devices, says Bruce Judson.

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OUR READER SAYS

Makeover for spa sector

There seems to be no checks in the spa industry and yet the firms are allowed to take the public's money in advance. It's about time the industry got a watchdog, says Boon Chin Aun.

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ONLINE BLOGS

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Grace Chng counts the number of iPad apps she has.

Aussie xenophobia barrier

Letting it affect foreign investment is not in Australia's interest



BY WILLIAM CHOONG
SENIOR WRITER

WHENEVER Singapore Inc ventures into Australia, those in the know brace themselves for an onslaught of indignant opposition - centring not on the merits of the business deal, but on Singapore's human rights record.

In 2001, SingTel was involved in a bid for Optus, Australia's No.2 telecoms firm. Opponents of the deal alleged that SingTel was part of the Singapore Government. Mr Hamish McDonald, the foreign editor of The Sydney Morning Herald, attacked the Republic for its "snoopy record on human rights and political freedom". He also asked why SingTel would want to expand into "white trash" Australia, a reference to a remark Minister Mentor Lee Kuan Yew had once made.

Fast forward nine years, and it's déjà vu. Last week, news broke that the Singapore Exchange (SGX) was making an \$11 billion bid for the Australia Stock Exchange (ASX). Opponents have since had a field day attacking Singapore's lack of human rights and political freedom again. That "white trash" remark was this time dredged up by Greens Senator Bob Brown. This, together with Singapore's 2005 execution of Australian drug trafficker Nguyen Tuong Van, demonstrated the Republic's dim view of Australia and its assets, he was reported as saying.

An executive from the 2001 SingTel-Optus bid said: "Every time you have Singapore Inc going into Australia, people will use the term, as a codeword to tag Singapore companies negatively."

Scratch deeper, and one wonders if such an institutional memory for slights stems from xenophobia.

Qantas chairman Leigh Clifford said yesterday he thought xenophobia had crept into the debate and called for a measured response.

Dr Stephen Kirchner, a research fellow

at the Centre for Independent Studies, a Sydney think-tank, told The Straits Times: "The takeover of the ASX by the Singapore Exchange would facilitate Australia's integration with the region's capital markets, but Australian politicians are more interested in pandering to xenophobia and meddling in the governance of Australian and foreign companies."

An Australian Financial Review commentary said that xenophobia appeared to be the "only barrier" blocking SGX's bid: "The irrational fear of foreigners that tends to sit just below the surface in Australia could well rear its ugly head."

Xenophobia is embedded deep in the Australian psyche. In the 1994 book Fair Enough: Egalitarianism In Australia, author Elaine Thompson argues that fear of invasion was so mixed with fear of foreigners that xenophobia fuelled Australian foreign policy until the 1970s.

In the early 20th century, Mr C.E.W. Bean depicted Australia as a land under siege, with three million sq miles inhabited by three million whites, while to the north, "at its very gates, up to within a day's sail", were 800 million Asians.

In a way, xenophobia and its policy manifestation, the White Australia poli-

cy, were abandoned in the 1970s. But aspects of that fear of the "yellow peril" persist. In the recent general election, parties across the political spectrum made promises to limit Australia's migration intake. The verbiage about "sustainable population" is more sophisticated, but its wellspring is the same.

Certainly xenophobia is not unique to Australia. After all, what matters is not whether a country harbours xenophobic tendencies (they all do), but how they deal with them.

In Australia's case, xenophobia has affected the country's foreign direct investment (FDI) regime. In 1984, the Centre for Independent Studies published Capital Xenophobia: Australia's Controls Of Foreign Investment. It lamented the abandonment, from the mid-1960s, of its traditional open-door policy to FDI.

According to Dr Kirchner, the FDI regime has been liberalised, but remains restrictive. Writing in Capital Xenophobia II, he says the Australian government still limits foreign ownership in major firms and specific assets.

FDI is subject to sweeping ministerial and bureaucratic discretion, creating uncertainty for investors. In a survey of 29

Organisation for Economic Cooperation and Development (OECD) and 13 non-OECD countries, Canberra was found to have the fifth most restrictive FDI regime, behind developing countries like China and India.

In 2001, Shell's proposed acquisition of Australian firm Woodside was blocked by the Treasurer on the grounds that Shell might not develop the North West Shelf gas project. There was no reason to suppose that it would not do so.

In recent years, Chinese commodities firms' plans to acquire Australian companies have been hampered by delays and considerable uncertainty.

In the context of the SGX bid, the best way forward is for regulators and politicians to examine the offer based on its own merits. But this is unlikely to happen.

The deal requires two major nods. Under Australian legislation, no single shareholder can own more than 15 per cent of the ASX. This means lawmakers would have to approve the lifting of the cap. The Treasurer would also have to approve the deal, after taking advice from the Foreign Investment Review Board.

But the Labor-led government today is a minority one beholden to a handful of independents and the left-leaning Greens Party. Final approval for the SGX offer will be hard to come by.

To be fair to Australians, allegations of xenophobia can be over-extended. As many visitors to the Lucky Country attest, most Australians are warm and receptive to foreigners. But the political tides in Australia today require a weak minority government to pander to the whims and fancies of a xenophobic - but highly vocal - minority.

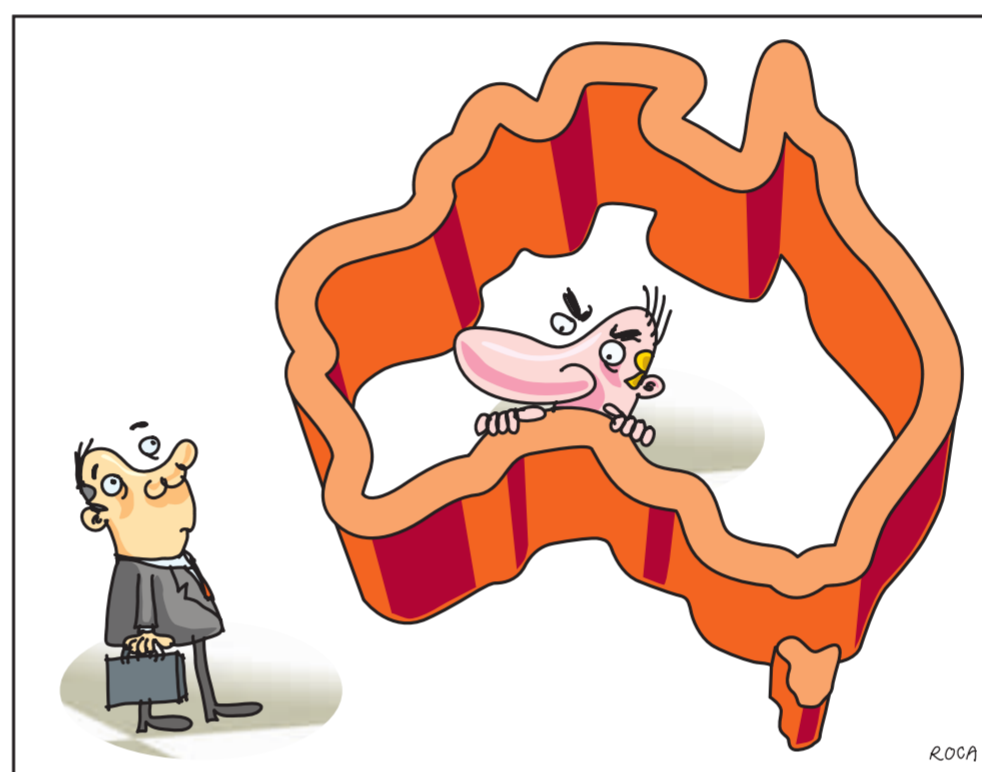
Some critics think the SGX simply chose a bad time to table its ASX offer.

But in fact, the issue of FDI restrictions in Australia is one that transcends the ebb and flow of parliamentary politics today. Australia has seen its income and consumption rise from the flow of foreign investments. In a globalised economy, it will face more, not less pressure, to be more open to investments.

If the Labor government does not do a serious rethink about the country's FDI regime, SGX might not be the only party to suffer. Like the effect of that beloved Australian icon, the xenophobic spurning of foreign investment will have a boomerang effect on Australians.

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