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1. Governments refuse to give full details of GATS requests

Governments including Australia, the US and the EU which made detailed requests in the WTO Trade in Services negotiations last week have refused to make public the full details of those requests. They have instead only released summaries. The Australian summary was reproduced in AFTINET Bulletin 39.

The responses to these detailed requests are due on March 31, 2002. So far only Canada has made a commitment to make public its responses to requests at that time. We need to keep up pressure on the Australian government on this issue. If you have not already done so, please send a letter to the Minister. Sample letters are available on the AFTINET website at www.aftinet.org.au/.

2. Australian Companies lobby for GATS

Australian services firms have established the Australian Services Roundtable to promote their services interests and pursue services liberalization in multilateral and regional trade negotiations. In addition, the Australian National University has established a Services Industries Research Centre to provide research and distribute information relevant to the services sector. The Roundtable is composed of industry representatives at Chief Executive Officer level from a very broad range of services firms. Sectors represented include financial services (banking, insurance, securities), professional services (accounting, legal, consulting engineers, consulting architects), health service providers, export education services, tourism, information technology, telecommunications, transport, food distribution, audio-visual, media and other business services.

3. US GATS demands include audiovisual (film and TV) markets

Summarised from the WTO Reporter July 2, 2002

A US Trade Representative (USTR) executive summary of the U.S. proposals released July 1 said that the United States was seeking commitments from other countries in some 15 areas: transparency in the regulation of services; telecommunications services; financial services; express delivery services; energy services; environmental services; distribution services; education and training services; lodging and other tourism services; professional services; computer and related services; advertising services; audiovisual services; commercial presence; and temporary entry of professional services.

The United States is asking the EU to make legally binding WTO commitments in regard to audiovisual services, a highly sensitive sector in the last round of negotiations. "Audio visual is included in our request, not just for the European Union but for our other trading partners as well," Deputy U.S. Trade Representative Peter Allgeier said. "With respect to the European Union, particularly what we are seeking is a binding of access that is [already] provided. We are also leaving room for countries to provide support for their culture."

If US GATS demands for "national treatment" in audio visual services succeed, local content rules for film and TV and special assistance to local cultural industries could come under challenge. Australia also has local content rules and local assistance programs.

The European cinema industry, particularly in France, lobbied hard against any commitments it thought would further Hollywood's dominance over the global film and television industry or force European governments to dismantle their generous support and protection programs for EU audiovisual productions. As a result, the EU has no commitments on audiovisual in its GATS commitment schedule.

Allgeier also said the United States was not shying away from asking Latin American countries to make further commitments on the liberalization of financial services, despite the collapse of the Argentinean financial system and fears about financial stability in Brazil. Foreign investors, particularly foreign banks, have become favorite targets of Argentinean protestors. He emphasized how important a competitive, open, and transparently regulated financial system is for any economy. "I think if one looks around at Latin America, one would have to conclude that if the financial sector were as open as we are seeking in this liberalizations, there would be fewer of the problems that have occurred with the banking sectors of some of those economies. This is certainly not a time to step back from liberalization in Latin America."

The summary is on the USTR Web site at <http://www.ustr.gov>

4. Paris looks at renationalising France Telecom

Summarised from an article by Jo Johnson

The French government is prepared to contemplate renationalising France Telecom if market sentiment towards the national operator does not improve, according to government sources this weekend. The sources said such a move, although politically controversial, could be a "defensible" solution to the heavily-indebted company's crisis of confidence with the capital markets and would be preferable to a huge rights issue at the current deflated share price.

Government officials stressed their support for the company's debt-reduction programme outlined in March. But ministers are unhappy with the treatment being meted out to France Telecom in stock and bond markets. Taking partially-privatised France Telecom back into state ownership would come months after the UK government took back control of Railtrack, the railway infrastructure company, from shareholders. It would represent a bold early step for the government of prime minister Jean-Pierre Raffarin, who will on Tuesday outline his government's programme in the national assembly.

The collapse in value of what was once France's flagship privatisation, with more than 1.5m small shareholders, is a sensitive political issue for Mr Raffarin. France Telecom shares have fallen 79 per cent this year, to E9.43 from their October 1997 offer price of E27.75 as the telecommunications industry's growth prospects fell dramatically after a period of costly over-expansion. The shares rallied on Monday as investors reacted to the possibility of a renationalisation, rising 16.6 per cent to E11.

Any renationalisation would be likely to trigger competition concerns at the European Commission. But officials believe it would be less costly to the state than a E15bn (\$14.1bn) rights issue. "The state has no intention of letting things drift, but we cannot remain indifferent to what is happening to France Telecom shares and bond yields," a government source said. "From an intellectual and financial point of view, buying the minority would be defensible. We have no solution to the problem ready in our pockets and, if we were actually going to do that, we would not tell you. But we are unhappy with the current situation and it must be corrected."

5. Bye Bye American Pie: the US Corporate Crisis and need for Regulation

by Will Hutton, The Observer, July 2

The US faces a grave economic crisis. The confidence in the balance sheets and reported profitability of American companies has been shattered by an orgy of unprecedented corporate fraud, plunder and malfeasance that has demanded the connivance of its most reputable accounting firms, business leaders and banks. Only last week news broke of the biggest ever accounting fraud in history at WorldCom, to be followed days later of an epic accounting swindle at Xerox. Before them has been a string of others, with Enron the most famous collapse of all.

The integrity of the entire system for channelling savings into investment is now in question as is that of corporate America, just as America's debts to foreigners and its own consumers indebtedness have reached unsustainable levels. The country has been living beyond its means and inventing value when none existed. No one can predict with certainty how this will unravel, although the faltering of American consumer confidence and the sell-off of the dollar are already pointers. The dollar is threatening to inherit the sobriquet of 'toilet currency' once borne by the euro.

The US can and eventually will recover, but only when it comes to terms with the harshest of realities. That it does not possess a uniquely enterprising economic and financial model. That the scandals now hitting the headlines are not a case of one or two bad apples, but reveal systemic weaknesses in its financial system and methods of corporate governance which need root-and-branch reform. That American business ethics are abysmally low and require the toughest of policing. And that the US, like other economies that have pursued unsustainable and foolhardy policies, must go through a period of painful and difficult adjustment.

This is not just a case of companies fudging a billion here or there, as President Bush said in his folksy statement on Friday, and hoping nobody notices, a problem, as he characterises it, of individual ethics rather than systemic deformation. Rather, this is where America's business culture has led, legitimised by the conservative ideological barrage now a generation old which has transformed American public discourse. Everything should and must be pro-market, pro-business and pro-shareholder, a policy platform lubricated by colossal infusions of corporate cash into America's money-dominated political system.

Congresswoman Marcy Kaptur, for example, described the abysmally lax 1996 Telecoms Act, deregulating the telecoms industry and the precondition for the current scandals in the industry, lobbied for ferociously by WorldCom in order to unleash market forces, as 'living proof of what unlimited money can do to buy influence in the Congress of the United States'. The truth is that American business has bought the American executive and legislature alike. It is this that makes crafting the right reaction to the crisis so hard. The Bush administration has become so attached to the conservative revolution and its attendant free-market fundamentalism that the change in thinking it must now make threatens to be beyond them, even if its corporate paymasters would allow it.

The need is to reregulate, to recognise business lobbying is primarily self-interested and, above all, to insist that successful capitalism is much more sophisticated and complex than simply letting fat cats get fatter and diminishing all forms of worker protection. The US will find its way back, as it has done before, but only when its conservative hegemony and its compromised ideas have been broken. This will be a Herculean task, for the rise in conservatism has deep roots. It is no accident that WorldCom, whose accounting fraud cost \$3.8 billion, was based in Mississippi and was a generous contributor to its hard-line conservative senator, Trent Lott, minority leader in the Senate, as Ed Vulliamy reports today. Nor that Enron, whose profits were vastly overstated by accounting fiddles, was based in Texas and whose relationship with George Bush was so close. The states of the Confederacy remain the heartland of the distinct brand of American conservatism that combines Christian, market and America-first fundamentalism to a

unique degree, reinforced in the South by a legacy of barely submerged racism. The rise of American conservatism has closely followed the rise in the economic fortunes of the Confederacy, together with its belief in a take-no-prisoners form of capitalism.

The new Right thinkers provided the intellectual cover, providing populist slogans calling for 'freedom', accusing all forms of government of being 'coercive' and deriding the social contract as a cause of 'dependency'. It didn't take long before Wall Street joined in, insisting that the companies should serve the interests of their owners first and foremost - the doctrine of maximising 'shareholder value' - and that regulation inhibited 'enterprise'. Bit by bit, the edifice of Roosevelt's New Deal and Johnson's Great Society programme have been dismantled to make 'America great' again.

For most of the last decade, the result has seemed impressive, spawning what may only be transient US leadership of the hi-tech revolution. But now we can see the underlying weaknesses. Company directors awarded themselves fabulous share-option schemes and cut corners to manipulate their profits to meet investors' avaricious expectations, so supporting the share price and their own fortunes. The ruses were simple, ranging from booking next year's income as this year's to the sheer fraud, as in the telecoms sector, of falsifying sales altogether. The result was to propel an already fevered stock market to yet more stratospheric and unjustified levels: Wall Street is still valuing American companies more generously than at any time since 1929. The majority of mergers and takeovers in this stock market-dominated economy have proved destructive: few add any value and most lower it.

Between 1993 and 2000, Wall Street had brought 3,500 small hi-tech companies to the stock market; even before the dotcom bubble had burst, more than half were trading below their initial offer price or had gone bust. While dividend distributions have doubled as a proportion of profits, investment in the core of American business was troublingly low; the US has less invested capital per employee than France or Germany. Productivity is higher in both (the old East Germany excepted) and growing at least as rapidly. The consequence is America's intractable trade deficit. Great wealth and opportunity have been the privilege of the few.

As the scandals unfold, ordinary Americans are left naturally concerned about the integrity of their pensions and the viability of their insurance companies. The structures that support ordinary peoples' lives - free health care, quality education, guarantees of reasonable living standards in old age, sickness or unemployment, housing for the disadvantaged - that Europeans take for granted are conspicuous by their absence. Mainstream America has been told that its threadbare and neglected social contract is the price it must pay for opportunity, liberty and wealth creation. The political reaction could be fierce if the Democrats have the nous, courage and leadership to express citizens' concerns. But the outfall could go further. Britain's political, financial and business classes have been polluted by the same conservative virus. It is not just Lady Thatcher, but Tony Blair and Gordon Brown who have uncritically celebrated America's enterprise culture. Beyond them, many in Europe have wilted before the propaganda offensive and begun to accept that Europe's economic and social model is irredeemably weak and that it should be Americanised.

In truth, the task, as I argue in *The World We're In* (LittleBrown, London), is to develop a distinctive European model of enterprise which takes a more rounded view of what produces organisational success and protects our conception of the social contract and public realm which are central to European civilisation, and which all Europeans, despite their surface differences, hold in common along with the best in the American liberal tradition. As real fears grow that Britain could experience similar problems, our establishment has been quick to point out that we are better regulated along European lines. This notion was decried just a few months ago by many of those same voices as inhibiting our ability to emulate American enterprise. Our 'sclerotic' European-ness may be what saves us. We should be relieved and proud - and build on it.