

Hello, my name is James Murray As Geoff from the FSU couldn't make it today, I've been asked as a representative of ATTAC in Australia to say a few words about this fast growing NGO and what it is campaigning for.

ATTAC is actually a French acronym stands for the Association for Taxation of Financial Transactions in the Interests of the Citizen

The central objective of ATTAC is to produce information and campaign to counter all aspects of domination by the financial world of political, economic, social and cultural life. ATTAC primarily campaigns for the reassertion of democracy and transparency over the global financial markets and the trade system.

Attac was founded in France on 3 June 1998 following a series of articles in the magazine Le Monde Diplomatique.

This was the time of the battle against the Multilateral Agreement on Investment which was defeated in October that year following pressure from NGO's and Community groups. Following the Asian financial crisis of 97-98 people were becoming aware of the impact that the global financial system was having on ordinary people.

At the same time the Tobin tax on currency speculation caught the imagination of many as a way fight back against the growth of casino capitalism. This then became a central cause for the movement which adopted the percentage symbol. It is a potent symbol as it represents a taking back for the common good from the speculative financial markets.

The energy of the French movement has been successfully taken up by activists in Europe, and Latin America. Now it has over 90,000 members in 40 countries. You can get a sense of the size of the organisation at its international website, www.attac.org

More than any particular policy its strength is in its overall aims and its flat, decentralised structure - rejecting attempts by socialist parties and trade unions to co opt what is still a grass roots organisation – working alongside contributions from academics and specialists.

The association organizes meetings on a local, national and international level , takes part in debates. ATTAC was also central to the formulation of the World Social Forum in Porto Alegre Brazil which in January last year hosted more than 100,000 delegates.

An exciting time at the moment, A fortnight ago in Larzac, France over 200,000 people turned up in opposition to Neo liberal reforms in pensions, education, privatisation. Discussions about public goods, the distribution of property rights, and market failure. To Mr Jose Bove, a farmer and participant in the movement said the aim was to turn

protesters “visceral” dislike of market domination into coherent, argued opinions. In November at least a million are expected in Paris for the second European Social Forum.

I have worked in the financial markets over the last 9 years and I share the concern of a financial markets instability and realise a need to inform the public on areas that affect them so directly, yet which often have no voice.

ATTAC has broadened since the original tobin tax campaign to now cover several areas.

1 Globalisation of trade, open markets, and privatisation

The first point to make is ATTAC is not anti-globalisation, or anti-trade. Instead we are concerned about globalisation, and recognise the importance of a fair and equitable global trade system.

We do not agree that the prevailing economic theory of market liberalisation and deregulation automatically works best for the global economy. Governments like Australia need to be able to regulate where the market fails.

The term used in France now is altermondialist-globalisation. Roughly translated, this is 'another globalisation is possible'.

IMF is still unyielding in its insistence on neo liberal economic policy, where they continue to use third world debt as a bargaining chip for deregulation and privatisation. Nobel prize winning economist Joseph Stiglitz who has written a book condemning the IMF policies that are impoverishing developing nations.

So far as the Free Trade Agreement between the USA and Australia is concerned, Australia is a very different nation to the USA with very different standards of what is in the public interest. In addition the FTA's that the United States are negotiating must be seen in the greater context of the WTO, whereby they are being used to influence negotiations and avoid proper

2 Institutional Reform : Democracy and Transparency in WTO

As part of the first point, we call for Transparency in the global financial institutions of the WTO, IMF and world bank.

Our particular Focus right now being the WTO ministerial meeting in Cancun, Mexico on Sept 13. Developing nations are consistently denied a voice at such meetings, with various tricks used to ensure they are marginalised and cannot participate fairly in negotiations.

3 Tax Justice

I read recently that annual European government borrowing was roughly equal to estimates of tax revenue lost to havens.

There are over 70 offshore financial centres closely lined with corruption and crime.

Not only money laundering, but also financial crime such as the BCCI scandal in the early 90's.

This is an important area as the revenue lifeblood of nation states needs to be protected if they are to offer government services.

5 World Social Forum, Sydney Social Forum – education and research.

Started by ATTAC in response to the elitist Davos conference held in Switzerland, in 2001 the World Social Forum has spawned regional social forums in the same concept bringing together a broad coalition of NGOs and community groups.

Coming up on October 25 -26 is the Sydney Social Forum. www.sydney-socialforum.org

6 Productive and Secure Superannuation

In Europe pensions are currently a big issue, and in Australia superannuation is an area that ATTAC will get more involved in.

Irrespective of whether you would prefer a return to state run pensions, there is definitely more scope for govt responsibility and involvement in making sure it is in ethical and productive investment and is safe from speculative market volatility.

7 Financial Markets Regulation (my particular area of interest.)

I will now outline 5 areas where 'casino capitalism' presents dangers for the real economy.

1 International capital flows: a call for capital controls

A stable and secure financial system can be considered a public good.

New developments in capital flows over the last decade.

Since the papers by Ronald McKinnon and Edward Shaw in 1973 arguing for liberalisation of interest rate controls, there has been a relentless process of neo liberal deregulation of government capital accounts. Lobbying by Wall Street to the IMF, US treasury, World Bank has resulted in what another economist Jagdish Bhagwati has termed the 'Wall Street-Treasury complex'.

A crisis in the Mexican peso was very narrowly avoided by an intervention of the US to support Mexico. However this unleashed a torrent of investment in other 'emerging economies' such as Asia which then reversed when the US refused to support the Thai economy following a devaluation of the Baht in July 1997.

The Asian financial crisis could have been prevented if they had taken lessons from the Chilean deregulation and subsequent bank system collapse in 1983. Following the collapse, Chile began reforms during the 90's prescribing minimum reserves on foreign

borrowing, as well as minimum 1 yr requirement on Foreign Direct Inflows.

Australia also experienced problems deregulating the capital account, in the 80's with overseas borrowing losses.

Australia doesn't have many restrictions, however it does participate in a dirty float of its dollar whereby the Reserve bank intervenes to support the currency.

To counter financial instability in the face of international capital flows, there are calls by many, including former Tiger hedge fund director, George Soros, for the need for an international central bank – much like that proposed by Keynes nearly 60 years ago.

2 Tobin tax

Proposed by James Tobin in 1972, involves a 25cent per \$100 tax per transaction as a way to stop needless short term gambling in the forex market, it is now supported by several governments around the world including Canada, Finland and France.

In response to debate about the effectiveness of such a small tax in reducing volatility, there has been support for a suggestion from economist Paul Spahn for a two tier tax that increased during times of higher volatility.

Amount of tax hard to estimate as volume would be reduced, although studies on the introduction of securities stamp duty in the UK did not show a lowering of volume through a move to derivatives markets. On any estimate the tax would raise a lot of money from between \$15 billion to \$100 billion per annum.

3 New problems: Derivatives

Put simply they are bets made on credit. Like getting credit at the casino.

Its one thing to gamble in the casino, even more dangerous to do that on credit.

Warren Buffet, Americas richest man in America and Chairman of Berkshire Hathaway recently likened derivatives to weapons of mass destruction.

Following this the economist ran an editorial pointing to the rise in contracts saying they are here to stay. But this ignores the continuing gap between derivatives use and their proper accounting and disclosure.

Most know of Barings 1.4 billion loss on Japanese equity index financial futures, or Orange County's 1.7 billion loss speculating on interest rates spreads.

But what about LTCM's 4 billion loss on interest rate spread, but add to that Schneider Property groups 4 billion loss on derivatives and a \$4.4 billion loss by Kidder Peabody on Oil futures.

Suddenly these are big numbers that affect the stability of the financial system. There is a lot of concern about the possibility that Japanese banks are entering into contracts to defer their financial position. Weaknesses in internal control, as well as regulatory oversight exist. And while many investment funds and companies now face restrictions on derivatives, originators with the complicity of ratings agencies have in the past repackaged them to look like ordinary bonds.

4 Hedge funds

Contrary to their name, hedge funds do not hedge their investments but instead refer to investment funds that do not investing in productive investment, instead using extensive or borrowing to leverage their financial market bets.

In the US, hedge funds usually have less than 100 wealthy investors so to make use of exemptions to regulations under the securities act of 1933-34 and the investment Company act of 1940. However there are no restrictions to offering these products to non US citizens where they are making inroads to the Australian superannuation.

The Gary Black, the global chief investment officer for Goldman Sachs – stated 9 days ago (at the Investment and Financial Services Assoc annual conference) that one of the biggest risks in global funds management is the potential for a “blow up” in hedge funds and that many clients were “just throwing money at hedge funds”.

In Australia hedge funds are growing dramatically, yet the regulators have stated they will have no figures on the extent to which our superannuation is exposed.

5 Credit Derivatives Growth

Currently there are several issues the sale of credit risk by banks to others – mainly insurance industry. This weeks economist ran an editorial on it.

In the face of new restrictions in capital adequacy ratios lending by banks Basel 2 by 2007, The amount of credit derivatives on issue globally rose from 200 billion in 1991, to over 2 trillion in 2002.

Banks are net buyers of credit protection – 190 billion, and insurance companies and other financial organisations are net sellers \$300 billion.

In June the Bank of International settlements wrote that the markets lack transparency

about the ultimate distribution of credit risks. These risks are being transferred to entities that are less well capitalised and less expert in managing the risk, including pension funds, mutual funds, or life-insurance policies.

Conclusion

This is pretty worrying? What can you do? Get informed.

Please visit our international website www.attac.org where you can sign on for the newsletter and in the wheels.

Also visit our Australian website www.australia.attac.org where we have our own email list you can sign on, as well as a recommended reading list, and links to other sites.

We have leaflets at the desk, if you want to support us you can buy an ATTAC badge, I hope I have been able to peak your interest about ATTAC and the important issues it campaigns on. Thank you.