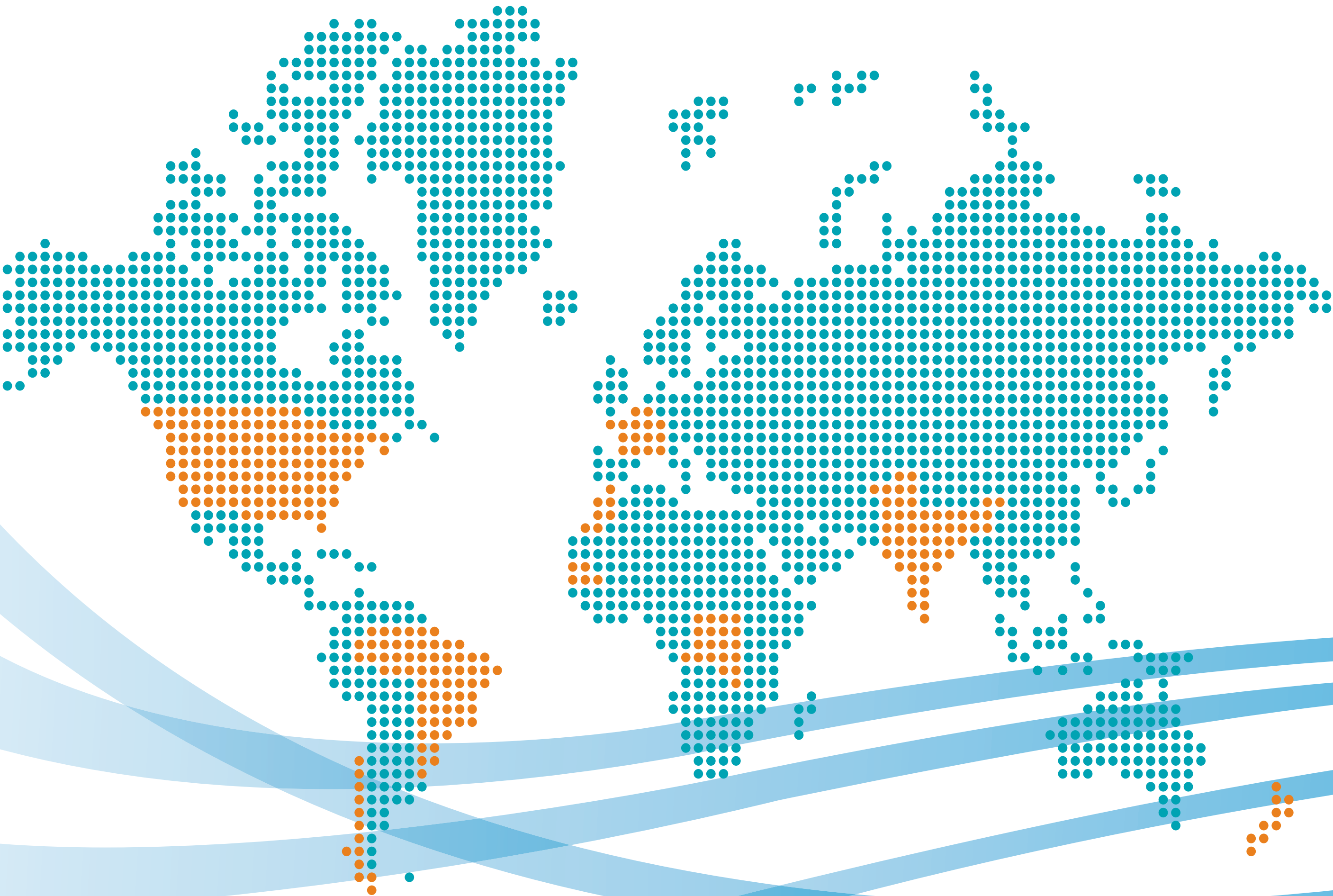
Cannes G20

Contribution of the facilitation group of the International Forum of NGO platforms on international solidarity issues

November 2011



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Content

Introduction

G20 Leaders will meet in Cannes at the beginning November to discuss a range of global challenges, including a possible second global economic crisis in just three years.

These crises have been produced by the politics of deregulations implemented over the last thirty years without any wariness. The consequences of unregulated market economy are now more evident: increasing of inequalities, increasing of tax heavens and tax avoidance, budget deficits, unemployment, exclusion, all this plus a huge environmental destruction.

To date, the G20 has not delivered the fundamental reforms that the world needs and the upcoming G20 summit is a critical test, a test of the G20's ability to make significant progress toward addressing the multiple crises facing the world. Developed economies are experiencing acute macroeconomic stress leading to rapidly rising unemployment, large budget deficits and a decrease in the provision of public services. At the same time, developing countries continue to feel the impact of the last global crisis and are experience a 'perfect storm' of food, climate and economic crises.

We, members of the International Forum of national NGO platforms, representing thousands of civil society organizations in both G20 and non-G20 countries, are calling for the G20 to deliver fundamental and far-reaching reforms of the global economic system; reforms that will ensure inclusive and sustainable development and deliver real opportunities for all citizens.

Global civil society is also calling for the G20 to become more transparent and accountable to all citizens for the decisions it makes and the policy is chooses to pursue.

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Recommendations to the G20

1. Agriculture and food security:

G20 governments should stop the dismantling of existing regulatory tools, support peasant farming and regulate the international commodity market in order to provide food security for all consumers.

2. Financial Integrity and tax havens:

The G20 should put an end to tax havens and fiscal evasion by exchanging greater information between tax authorities in different countries; and strengthening country-by-country reporting standards.

3. Corruption:

The G20 should implement a consistent and vigorous enforcement of foreign bribery laws that is necessary to effectively reduce foreign bribery in international business and development, and he must implement an international legal framework for asset recovery.

4. Financial Transaction Tax:

The G20 governments must recognize that the taxation of the financial sector is fair and necessary and they must either implement it rapidly or support those countries that wish to implement it, ensuring that financial resources generated are used to address development and climate change issues.

5. Inclusive and sustainable development:

The G20 should ensure a new approach to economy which promote a sustainable development for all citizens and with the confine of the earth's limited natural resources.

6. Civil Society access and consultation:

The G20 must also put a formal process in place for meaningful and timely consultation with all groups affects by its decisions – this includes outreach with low income countries and civil society from both G20 and non-G20 countries.

1. A FAIR ECONOMIC MODEL

Addressing agriculture and food security

The agriculture and food crisis of 2007-2008 had a serious impact on developing countries, plunging nearly 200 million more people into food insecurity. To date, the structural clauses responsible for this agriculture and food crisis have not been addressed and as a result, the global and regional price of food and agricultural inputs continue to rise sharply. The volatility of food and agricultural prices has a major impact on smallholder and family farmers and on poor consumers, especially those in developing countries.

Foreign investments—even those labeled "responsible"—are a major contributing factor in the food and agricultural crises, particularly when these investments are not integrated with the agricultural policies and trade rules that meet the needs of local people, respectful of their right to foster food sovereignty.

Additionally, the sudden and chaotic volatility in agricultural prices harms the profitability of productive investments, the efficiency of supply chain organization and, ultimately, consumer price stability as well as the security of supply. Despite this, since the 1980s, the policies implemented in both developed and developing countries since the 1980s have resulted in the dismantling of existing regulatory tools that would control such volitility. Domestic agricultural prices are increasingly aligned with volatile world prices, allowing speculators to find new opportunities to make short-term profits from financial derivatives in agricultural markets, and putting very different forms of agriculture into competition with each other. It is therefore necessary for governments, the G20 in particular, to intervene to regulate markets and stabilize international and domestic agriculture and food prices.

Recommendations to the G20

Fulfill of existing global commitments to support the smallholder farmers

Donors must deliver on financial commitments of the L'Aquila Food Security Initiative and non financial commitments.

It is essential that the G20 countries focus on the private sector to support agricultural policies for smallholder farming. In many countries, 70% of the population are smallholder farmers and they suffer particularly when forced to compete with corporate agriculture. This means that the G20 must define a clear and transparent strategy aimed at increasing small agricultural production in a sustainable manner; creating opportunities for local communities, and ensuring the financial and technological support that small-scale farmer need.

Trade and storage policies should be organized to meet food needs as their priority

As it has been organized in different countries, like in India, the States should regulate agricultural and food trade volumes and/or prices (imports and/or exports), as this is a key factor in ensuring adequate food supply levels in domestic markets. It is then necessary to:

- support – through additional financial and technical assistance – the establishment of local, national, and international reserves with the purpose of limiting price volatility and ensuring the food security of the populations concerned. The FAO and FSC can support this by establishing a coordinated global food stock system.

- establish international regulation rules based on the principle of food sovereignty. This means that the G20 countries must foster a rapid shift in WTO rules to allow trade and supply management policies that contain, in particular:

> - flexible import provisions (notably variable levies in the case of low prices and tax exemptions in the case of high prices) to allow developing countries to adapt to market changes and volatility;
>
> - exceptional safeguard measures in the case of major changes in markets;
>
> - the establishment, under the auspices of the FSC, of a consultation framework to prevent the use of foodstuff export restrictions in the case of price hikes from penalizing food-deficit countries and the most vulnerable populations.

Physical and financial agricultural markets should be strictly supervised

International institutions—notably the World Bank, FAO and the European Commission—have in recent months emphasized the fact that speculation on the physical and derivative commodities markets has a growing influence on the price volatility affecting agricultural commodities. Reforms are underway in the United States and Europe, and should be extended to every country.
These regulations should, at a minimum, include the following measures:

- ban derivatives-based hedge funds from including derivatives based on agricultural and food products;

- set "position limits" on the quantity and overall market proportion that an actor, or an entity comprising several actors, may hold at any given time on all international markets;

- strictly oversee over-the-counter transactions through supervisory measures, mandatory standardization measures and transaction guarantee measures by market regulators, and set thresholds above which over-the-counter transactions would be subject to an authorization procedure; and

Land grabs should be stopped

Massive land grabs by private interests or foreign States targeting tens of millions of hectares violate human rights. They deprive local, indigenous, peasant, pastoral, forest and small-scale fishing communities of their means of production.

All land grabs now underway and in the future must be ended. Establishing a "code of conduct for more responsible investment" would in no way prevent the widespread violations of human rights that land grabbing generates. The G20 members must therefore take action to put an immediate end to land grabs and in particular:

- support the ongoing processes within the FSC and cease to support the World Bank's Principles for Responsible Agricultural Investment (RAI), which are illegitimate and insufficient to stop land grabbing;

- commit to lowering government incentives to produce and consume biofuels to give priority to food production if the corresponding increase in prices on international agricultural markets threatens people's right to food; and.

Ensuring Financial Integrity and tackling tax havens

Financial opacity and tax evasion cost governments a great deal, particularly in developing countries. In 2008, illicit financial flows from developing countries totalled between 1,260 and 1,440 billion dollars. Three to five percent of these flows are assets derived from corruptions, 30% to 35% are the result of criminal activity, and 60% to 65% are related to tax evasion by multinational companies.

Today, global wealth is created in some countries but frequently registered in company accounts in other territories. This shift generates statistical oddities that blur economic reality. For instance, the largest exporter of bananas to the EU is the island of Jersey; over the past decade, nearly half of foreign direct investment in India came from the tiny island of Mauritius; and the cop per industry in Zambia is running at a deficit and contributes only 4% of the country's tax revenues but exports more than 50% of its production to Switzerland.

This disconnect between the real economy and "accounting economy" is above all the result of multinational corporations artificially transferring their profits to lower tax jurisdictions where they usually have little or no real activity. This is often legal, but frequently not: transfer mispricing and abusive debt transfers between the subsidiaries of a company, for instance, are common practice in global trade. This disconnect is made possible by "tax havens" —where half of international financial and trade trans-actions are recorded. The main characteristic of these territories is their opacity, which prevents foreign authorities— be they tax, judicial or prudential authorities—from enforcing the law. This opacity, ena bled notably by banking secrecy but also by the multiplication of trusts and shell companies, is frequently paired with low taxation rates and a lack of international cooperation.

International tax evasion and tax avoidance result in large losses for developing country governments at a time when they are already faceed with low levels of public revenue. These address this situation, a greater focus is needed domestic resource mobilization reforms. Two key reforms are:

- exchanging greater information between tax authorities in different countries; and
- strengthening country-by-country reporting standards.

The G20 acknowledged the link between tax havens and development by focusing on tax havens in the London Summit of April 2009. At the Toronto summit (June 2010), they requested a new report on the subject by the time of the November 2011 summit in France. But the progress to date is insufficient.

Recommendations to the G20

1. The publication of country-by-country accounts: Require all multinational corporations in their jurisdiction to report their income and taxes paid on a country-by-country basis and call on the International Accounting Standards Board to require the same in the International Financial Reporting Standards. Such a standard should include the obligation for each multinational company to report in every country in which it operates:

- the names of all its companies trading in the country in question;

- the details of its financial performance, differentiating between intra-group operations and operations with third parties (sales, purchases, financing costs, labor costs and employee numbers, and pre-tax profit);

- the detailed tax charges included in its accounts for the country in question;

- the details of the cost and net book value of its physical fixed assets; and its gross and net assets.

2. Implement the G20 action on the crackdown on tax havens, announced in April 2009 : a complete and up-to-date list of tax, legislative and prudential havens must be settled. The OECD's gray and black lists only offer information on fiscal cooperation and are largely inadequa te, particularly as the criteria chosen to move an uncooperative jurisdiction to the white list is having signed only twelve Tax Information Exchange Agreements (TIEAs). This process has had the effect of rapidly whitewashing a large number of jurisdictions without really altering the rules of the game.

The G20 has not yet managed to move beyond the compartmentalized approach that has prevailed since the 1980s to tackle the issue of tax havens in terms of taxation, money laundering and financial regulation. It is crucial that the work done by the currently competent bodies—namely the Organi zation for Economic Co-operation and Development (OECD), the Financial Action Task Force (FATF), and the Financial Stability Board (FSB) under the auspices of the United Nations—be coordinated. This exercise must make it possible to assess the dangerousness of each country or jurisdiction according to these bodies' respective criteria, criteria that must be explicit and public.

3. Promote a multilateral approach to tax information exchange with developing countries:

- Commit to participating in a multilateral convention allowing for effective exchange of tax information, and use their leverage to get their dependencies and secrecy jurisdictions to join this convention.

- Ask technically competent bodies, in particular the OECD and UN Committee of Tax Experts, to deve lop the technical standards necessary to facilitate comprehensive automatic exchange of information, which is more effective than the "on request" model. They should set a timetable for the development of this standard and its eventual incorporation into the multilateral convention.

4. Register of beneficial ownership: The G20 should call on the Financial Action Task Force (FATF) to amend its *FATF 40 Recommendations* number 33 (Prevent unlawful use of legal persons by money launderer) and 34 (Prevent the unlawful use of legal arrangments by money launderers) and its *FATF IX Special Recommendations* number VIII (Countries should review the adequacy of laws and regulations that relate to entities [especially non-profit organizations] that can be abused for the financing of terrorism) and provide that the beneficial ownership of all companies, trusts, foundations and charities be made a matter of public record.

Tackling corruption

Bribery undermines economic growth, diverts humanitarian and development assistance, subverts environmental, health and safety controls and threatens political stability, energy and national security.

On the political front, corruption constitutes a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they are misused for private advantage. Though this is harmful in the established democracies, it is even more so in newly emerging ones. Accountable political leadership can not develop in a corrupt climate.

Economically, corruption leads to the depletion of national wealth. It is often responsible for the funnelling of scarce public resources to uneconomic high-profile projects, such as dams, power plants, pipelines and refineries, at the expense of less spectacular but fundamental infrastructure projects such as schools, hospitals and roads, or the supply of power and water to rural areas. Furthermore, it hinders the development of fair market structures and distorts competition, thereby deterring investment.

The effect of corruption on the social fabric of society is the most damaging of all. It undermines people's trust in the political system, in its institutions and its leadership. Frustration and general apathy among a disillusioned public result in a weak civil society. That in turn clears the way for despots as well as democratically elected yet unscrupulous leaders to turn national assets into personal wealth. Demanding and paying bribes become the norm. Those unwilling to comply often emigrate, leaving the country drained of its most able and most honest citizens. Environmental degradation is yet another consequence of corrupt system.

Recommendations to the G20

On bribery

- Implement and enforce laws criminalising foreign bribery and prohibiting off-book accounts by 1st January 2012 in accordance with the OECD Convention Against Bribery of Foreign Public Officials and UNCAC, and regularly report on the enforcement of these laws.

- Deny entry and safe haven to corrupt government officials and business people in cases where the individual has been convicted of corruption offences or where there is credible evidence to believe that they are involved in corruption. This should be subject to a fair and accessible appeals system for any excluded individual. A number of G20 members have already made steps to implement this.

On Asset Recovery

Enact and implement a legal framework for asset recovery that makes it easier to freeze and return funds in cases where there is limited capacity in the country from where the assets were stolen, and in situations where it is difficult to bring prosecutions against corrupt officials, for example in circumstances such as death, flight, or absence of the perpetrator. This should include assets transferred to trusts and assets owned or used by political leaders still in office. As part of this G20 members should explore options of how to unilaterally freeze funds, for example by following the model recently implemented by Switzerland; and how to provide information and assistance to authorities in requesting countries. In addition, G20 members should commit to effective judicial cooperation and create a fund to assist countries which have limited resources to carry out asset recovery actions. G20 members should ensure that frozen assets are swiftly transferred to escrow accounts managed by an independent party, for example the World Bank or the regional development banks.

Anti-money laundering

As part of the next round of mutual evaluations, the FATF should review in detail how well countries are implementing the FATF Standard and publically name those who are failing to do so effectively, including if necessary its own members. As part of this process countries should carry out an in-depth review of how their banks handle the risk associated with politically exposed customers, as the UK has just done, and publish the results. FATF has been successful at ensuring that most countries in the world have implemented an anti-money laundering regime, but the next step is to ensure that it is being enforced effectively. This should be an integral part of the fourth round of FATF's mutual evaluations. In addition, G20 members should create mandatory national level registers of the beneficial ownership of companies and the beneficiary of trusts. This information should be shared with relevant investigative and judicial authorities both domestically and internationally.

Financing for development, including FTT

The financial sector is one of the areas where globalization and trade liberalization are most advanced. The acceleration and growth of transnational financial flows have reached exceptional heights. For instance in 2008 the volume of the total financial transactions was 74 times higher than global GDP. In contrast in 1990, it was only 15 times higher. These speculative movements with no social utility have created a gap between the so-called 'speculative economy' and the real economy. This has notably lead certain countries to collapse, at the beginning developing economies, at last even developed economies, thereby increasing inequalities within and between countries and weakening the poorest populations".

The Financial sector is the only untaxed sector and it is now time to stop the imbalances that the speculators have created in the real economy. The FTT appears to be an efficient instrument to regulate finance and bring a new source of regular revenues at times when public aid is worryingly diminishing.

Levying an international tax on financial transactions now seems fair, indispensable and technically possible.

The many crises we are experiencing clearly highlight global development and climate challenges. Current needs are immense and developed countries have already pledged to mobilize 100 billion dollars per year by 2020 to meet climate challenges. In terms in food security, the FAO estimates that 30 billion dollars per year will be needed to eradicate hunger. Finally there is a shortfall of 67 billion dollars per year to keep international Health Commitments (according to the Franco-Bristish and multilateral task force in September 2009).

Taxing the financial sector is one of the most promising paths. Indeed, transactions are not subject to value added tax, and this sector is therefore currently under-taxed. In the wake of the international financial crisis and at a time when financial institutions have benefited greatly from government bailouts, citizens cannot understand why this sector is not called on to finance the resolution of global issues.

Citizens around the world are campaigning to call for the setting up of such tax while major international organizations and many international and economic leaders have brought their support to the FTT.

Moreover, according to a recent IMF report [1], unilateral FTTs already exist in many countries like the UK, Taiwan and Brazil, among others. This clearly shows that no global agreement is needed to set up a FTT.

And the European Union is preparing itself legislation, based on a French and German proposal.

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1. http://www.imf.org/external/pubs/cat/longres.aspx?sk=24702

Recommandations au G20

- Implement an FTT with the widest possible geographical scope, that is to say a global FTT. At this time, it is necessary to proceed step by step.

- Establishment of a coalition of pioneer countries, bound by a treaty, during the G20 summit in Cannes. In addition to France, the countries that have expressed their interest in an FTT are Germany, Brazil, Ecuador, Austria, Belgium, Norway, Spain, South Africa, Korea. But in reality, according to a recent report by IMF, ten other countries have already implemented some form of a Financial Transaction Tax and could put it in coherence in with a coalition of willing.

Tax Base: For national implementation in the various countries, the tax would cover transactions involving financial instruments issued nationally (and traded both internationally and domestically), e.g. national stocks and bonds, derivatives contracts involving domestic financial actors, interbank trade in the national currency. Each country participating in the coalition of the pioneers would in this way tax all transactions involving domestic financial instruments.

Rate: For its national stock exchange, the British FTT's rate is 0.5%, which has no adverse consequences on either markets or the British economy[2]. Regarding other financial instruments, we suggest adjustable rates in function of the depth of the various markets concerned, from 0.01% to 0.5% It could follow the level and evolution of transaction cost applied on each transaction. Nevertheless, the chosen rates must be consistent with the need for global tax revenues in the amount of 300 billion dollars per year, and must have a limiting effect on unnecessary speculative transactions.

The revenues from international taxation must make it possible to finance priority international needs. The resources generated by such a tax could in particular finance attainment of the Millennium Development Goals and finance climate change adaptation and emission reduction. This would make it possible to preserve and produce global public goods.

An international treaty would be needed to establish agreement between FTT pioneer countries (such as France, Germany, Japan, Spain, Brazil, South Africa, Korea, Austria, Belgium, Norway, and Ecuador). It would be necessary for this treaty to set the rules for allocation of tax proceeds among the various issues (health, nutrition, education, environment), and would also describe allocation between the different multilateral agencies.

The treaty would also set out procedures for monitoring both the raising of the FTT and the expenditure of the proceeds. The procedures for allocation, monitoring and review would be the result of wide international consultation focused on the primary stakeholders: people in poor countries, their civil societies, their international allies, and their governments.

Finally, the treaty would structure the FTT so that the proceeds of the tax would be paid directly from the collecting agencies into the designated international funds—the tax would not pass through governments' budgets first. This is an established principle: for example in the EU, customs taxes are collected by the national custom offices and sent directly to Brussels, without passing through national Treasuries.

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2. Since 1986, the United Kingdom has levied a tax of 0.5% on transactions involving British companies' shares. This has not weakened the secondary market in the shares of UK companies, nor has it lowered large British companies' access to financial markets. This tax generates revenues of 4 billion euros per year. If it were extended to bonds issued by British companies and financial institutions, as well as to derivatives products when at least one party in the contract is British, it would generate more than 10 billion euros of revenue per year. Internationally, an "English-style" FTT would generate 300 billion dollars per year.

Delivering inclusive and sustainable development

In the last years, we have been warned that earth is experiencing a very dangerous global warming. Many studies, specially those made by IPCC, have shown these changes are being produced by human activity – in the last century and specially in the last thirty years. Extreme natural phenomena are happening more and more, they are affecting many countries and will affect many others, causing destruction and death. There is a strong awareness of the accelerated process of imbalance in climatic conditions, the destruction of countless species, the reduction of our forests, and the risks these changes bring to humanity.

More than ever it is time to think of a development model centered on human needs, which ensures the reproduction of nature, avoid waste and not deplete the assets we need to live: a development turned to life and not to maximize consumption. We cannot continue to produce things as the earth was illimited, as natural resources were endless.

Development is not a synonymous with economic growth, as the dominant economic theory emphasizes, development is not synonymous with «productivism-consumerism.» Development is to unfold the potentialities of people and society so that they can live and live well, obtaining access to food, clothing, housing, transportation, and also having access to studies, to culture, to leisure, in a healthy environment. This involves a new kind of relation with nature, this involves also ensuring social protection for people to feel safe in the face of unforeseen difficulties that may affect any human being.

We need an economy that uses renewable resources with a pace that does not exceed their renewal fee, and uses the exhaustible resources with a rate not higher than their replacement by renewable resources.

Recommendations to the G20

- G20 should establish “deforestation zero” as a target to be attained by all countries;

- G20 should propose the gradual but urgent replacement of all kind of fossil energy by different forms of renewable energy: wind, solar, ocean, geothermal.

- G20 should stimulate countries to make strong investment in collective transportation, moved by renewable energy – specially the many forms of rail transportation.

- G20 should defend common goods - from which human life depends on - like the air, the water, the forests, the sea, biodiversity;

- The G20 must send a strong message to the international community in order to obtain a commitment for innovating financing, particularly taxation of the bunkers in the maritime and air traffic sectors, during the UN international conference of climate change in Durban.

2. G20 TRANSPARENCY, ACCOUNTABILITY, GOVERNANCE AND CIVIL SOCIETY CONSULTATION

G20 accountability and outreach

The G20 is not a replacement for genuinely representative global decision-making, and it must ensure that its meetings supplement rather than undermine the work of the UN and other representative international fora. However, the G20 is a marked improvement on previous global gathering such as the G8, and we welcome the French Government's decision to invite additional representatives to the summit in Cannes. For the G20 to maintain credibility and increase its legitimacy, it is crucial that this process is now extended and formalised for every summit.

The G20 must also put processes in place to ensure that it is more accountable for the decisions it takes, and it should do so in an open and transparency way.

The G20 must also put a formal process in place that ensures meaningful and timey consultation with all groups affects by its decisions – this includes outreach with low income countries and civil society from both G20 and non-G20 countries.

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Recommendations to the G20

Transparency – ensuring greater G20 accountability

- The G20 must commit to greater transparency in all of its working - it should publish the members of working groups and expert contributors, as well as the date, agenda and outcomes of all official meetings. Reports and recommendations commissioned by G20 working and thematic groups from international institutions, such as the World Bank, the IMF and regional development banks, should be publically available.

The G20 must implement article 72 of The Seoul Summit Document

Article 72 states: "We recognize, given the broad impact of our decisions, the necessity to consult with the wider international community. We will increase our efforts to conduct G20 consultation activities in a more systematic way, building on constructive partnerships with international organizations, in particular the UN, regional bodies, civil society, trade unions and academia".

- The G20 should develop and implement an official programme for civil society outreach and engagement, delivered in a predictable way, year-on-year, by each G20 host country.

- Relevant civil society should be invited to either send written submissions to G20 working and thematic groups, or be invited to attend at least one meeting per year of each working group, facilitating meaningful dialogue and exchange.

- The G20 host country should bring civil society leaders and heads of state and government together for a high-level meeting immediately before each summit, as the G20 Business Summit.

- The G20 host country should facilitate timely and meaningful consultation with civil society. The format of such dialogues should be jointly negotiated and agreed between the hosting government and relevant civil society.

- Civil society should be afforded access to the International Media Centre at each Summit as a matter of standard practice.

The IFP

The International Forum of national NGO Platforms is an innovative arena for exchanges and cooperation, aimed at promoting the emergence of national voices in international negociations. 52 national platforms and 6 regional platforms have shown their active participation during the General Assembly held in Dakar in February 2011.

The facilitation group of the Forum

The International Forum of national NGO platforms is driven by a facilitation group appointed for a period of two years and composed of the following platforms:

- ABONG (Brasil)
- ACCION (Chile)
- CNONGD (DRC)
- CONGAD (Senegal)
- Coordination SUD (France)
- Associative area (Morocco)
- InterAction (USA)
- PIANGO (Pacific Islands)
- VANI (India)

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