For International Taxation:
A Fair and Lasting Response to the Global Crisis

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 without any direct connection to the growth of trade, and have led to the destabilization of certain countries. These speculative movements with little social utility have notably caused certain developing economies to collapse, thereby increasing inequalities within and between countries and weakening the poorest populations.

We believe it is time to set up a mechanism to redistribute wealth in the form of an international tax. This would make it possible to rectify, concretely and rapidly, some of the imbalances and human dramas caused by globalization.

The FAO estimates that there are more than one billion undernourished people. The Intergovernmental Panel on Climate Change (IPCC) estimates that by 2050 more than one billion people in Asia will be affected by a lack of water resources due to climate change. International needs are, therefore, immense. The development of international taxation, in addition to a consequential increase in official development assistance, combined with debt cancellation, the fight against tax evasion or even substantial changes to the rules of global trade, could be an effective contribution to meeting these needs. This scaling up of development financing is vital to reducing inequalities and attaining the Millennium Development Goals.

We salute the international dynamic on the subject of taxing financial transactions launched during the plenary session of the Leading Group on Innovative Financing on May 28 and 29, 2009, in Paris. The recent declarations by ministers and heads of state on this subject led to the simultaneous launch of three international efforts: the creation of a taskforce on taxing financial transactions for development within the Leading Group; the preparation of a report by the IMF, who was asked by the G20 to propose mechanisms by which the financial sector could be made to help mitigate the impacts of the crisis; and the establishment of a high-level panel following the climate change summit in Copenhagen.

In addition to these various discussions, we believe that the existence of the debate, notably carried by the President of the French Republic during the Davos Forum in 2010 on increasing the morality of the global economy, has now opened the door to the establishment of new tools for international redistribution such as taxing exchange transactions.

Taxing exchange transactions had been proposed to President Chirac in 2004 by the group chaired by Jean-Pierre Landau.[1] The technical and legal feasibility of such a measure has, what is more, been largely proven by several academics such as the Canadian Rodney Schmidt.[2] Only the political determination has, for now, been lacking.

We therefore call on the French and European public authorities to set up a taxation mechanism as follows:

Tax Base

The **immediate introduction, within Europe, of a tax on exchange transactions involving European currencies (euro, pound, etc.).** Indeed, the technical feasibility of such a tax has now been fully proven, and the political feasibility of a European tax is, in the short term, potentially greater than for a global tax.
In our view, the establishment of this tax should go hand in hand with global taxes on all financial transactions.[3]

Objective

This tax would have the **immediate objective of generating financial resources** to rectify some of the imbalances and human dramas caused by globalization. In so doing, it would also have a regulating effect. The initial tax could be on the order of 0.05%.

Scope

Without delay, this tax could be levied unilaterally **on interbank exchange transactions involving European currencies (euro, pound, etc.) worldwide.** In the framework of the euro, the Eurogroup member states, who control the currency, have the power to create such a tax. In addition, no interbank euro exchange transaction anywhere on the planet could escape such a tax collected by the members of the Eurogroup.[4]

The European Union has a duty to play a driving role by setting an example, as it has done in the past on other major international subjects. The countries in the euro zone have the power to tax exchanges involving the euro unilaterally without waiting for the unanimous agreement of the G20 or the UN to envisage establishing a global tax on financial transactions.

Collection

The international Continuous Linked Settlement system used by banks conducting currency exchange transactions could easily collect this tax. In 2006, the economic reflection group Intelligence Capital Limited, chaired by Avinash Persaud[5] confirmed[6] that

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[1] Working group chaired by Jean-Pierre Landau, *Les nouvelles contributions financières internationales*, Report to the President of the Republic, La Documentation française, September 2004.
[2] Schmidt Rodney, *The Currency Transaction Tax, Rate and Revenue Estimate*, 2007.
[3] Schulmeister, Stephan, *A General Financial Transaction Tax: A Short Cut of the Pros, the Cons and a Proposal*; WIFO Working Papers, No. 344; October 2009.
[4] All interbank exchange transactions involving the euro necessarily go through accounts located in the euro zone insomuch as only banks in the euro zone are able to supply foreign banks with sufficient quantities of euros (200,000 billion euros were exchanged in 2009 on the world foreign exchange interbank market—more than ten times the GDP of the Eurozone). Since all euro exchange transactions must obligatorily transit through a bank in the zone, and they all go through the CLS system, a tax on the sale of CLS services to banks in the euro zone would be collected on 100% of interbank exchange transactions involving the euro.
[5] Expert mandated by the Leading Group's taskforce on innovative mechanisms, and former director of currency research for JP Morgan and UBS Philips.
[6] Spratt Stephen, *Intelligence Capital Limited, A euro solution, implementing a levy on euro transactions to finance international development*, Stamp Out Poverty, September 2006.

a **small tax collected through the Continuous Linked Settlement system** would not generate a strong avoidance phenomenon.

Use of Revenues

We believe that **the revenues generated by international taxation must make it possible to finance priority international needs.** The resources generated by such a tax could notably finance the realization of fundamental rights (attaining the Millennium Development Goals could be one step) and adaptation to climate change. They would make it possible to preserve and produce global public goods.

The elaboration of an insurance system or other modalities to save banks during a future period of financial instability must in no case be financed by the revenues from international taxation.

Ultimately, the thematic and institutional allocation of the income from this tax would be proposed to the **United Nations** for validation, as only the UN has sufficient legitimacy to reach a decision in the interest of the majority of the countries worldwide.

These new revenues would, for example, make it possible to finance:

- Adaptation to Climate Change
  The cost for developing countries to adapt to the impacts of climate change will reach between fifty-five and seventy billion euros each year from 2010 to 2050.[7]

- Health
  States have made numerous promises to fight health crises. In September 2009, a taskforce chaired by the British Prime Minister, the French Minister of Foreign and European Affairs and the Director-General of the WHO pointed out a shortfall of sixty-seven billion dollars per year to fulfill international health commitments.

- Food Sovereignty
  Whereas the G8 in L'Aquila announced twenty billion dollars over three years, the FAO estimates that the world needs an additional thirty billion dollars per year to eradicate hunger. This would notably make it possible to finance access to inputs and to water, and improve commercialization circuits for the 1.3 billion agricultural workers.

[7] The Cost of Adaptation for Developing Countries, World Bank, September 2009.

Signatories:

Platforms and Networks

- Coordination SUD
- Climate Action Network France

Individual Organizations

- Les Amis de la Terre
- ATD Quart Monde
- ATTAC
- CARE France
- CCFD–Terre Solidaire
- Eau Vive
- Greenpeace
- GRET
- Oxfam France Agir Ici
- Réseau Foi et Justice Afrique – Europe
- Secours Catholique – Caritas France
- Transparence International
- WWF