

Background document to the Belem Declaration

For a new economic and social model - LET'S PUT FINANCE IN ITS PLACE !

This text is a background document to be used by civil society organisations in their advocacy work on the reform of the financial system within the context of the global crises, especially in relation to the G-20 and UN processes. It builds upon the Declaration produced at the World Social Forum in Belem, January 2009 "[Let's put finance in its place!](#)"(1) and develops further the 9 demands raised in the declaration. The Belem Declaration has been signed by a large number of NGOs, associations, trade unions and social movements of all across the world (more than 560 signatures today and more than 300 organisations). It has also been submitted to the UN Stiglitz Commission on the financial crisis, which has used it in its work. This background document provides more details to the 9 demands and provides a further step on converging global civil society proposals for a new financial system to service a new economic and social model.

The financial crisis is a systemic crisis that emerges in the context of global crises and of a new balance of power in the world and at national level. There is a systemic link between the financial crisis and climate change, the crises of the food and energy systems, and social crises: the financial crisis is not only the consequence of excessive behaviour by banks and speculators. The root causes of the crisis lie in the failed economic, social and environmental policies of the past 30 years. This crisis is the consequence of a capitalist system of production and speculation based on free market economies and *laissez-faire*, pushed by corporate lobbies not in the least the financial industry. Regulation was no longer performed by democratic institutions, but markets and short-term speculative movements, fed by short term accumulation of profits by a minority of so-called High Net Worth Individuals and large companies, which were left to determine the fluctuations of the very basic necessities of life including food, other commodities, housing and currencies. This resulted in unequal redistribution of wealth and the transfer of income from labour towards capital, as well as in an unfair trade system, the perpetration and accumulation of irresponsible, ecological and illegitimate debt, natural resource plunder, the dismantling of social protection and the privatization of public services such as pensions, housing and health services.

This tendency should be reversed. This crisis affects the whole humanity, first of all the most vulnerable (workers, jobless, farmers, migrants, women, ...) and Southern countries, which are the victims of a crisis for which they are not at all responsible. Huge resources to get out of the crisis merely burden the public with the losses in order to save, a financial system that is at the root of the current cataclysm rather than supporting the populations who are the victims of the crisis. The world not only needs regulations, but also a new paradigm which puts the financial system at the service of a new international democratic system based on the satisfaction of human rights, decent work, food sovereignty, respect for the environment, cultural diversity, the social and solidarity economy and a new concept of wealth.

(1) <http://www.choike.org/campaigns/camp.php?5>

Therefore, we demand to:

1. Put a reformed and democratised United Nations at the heart of the financial system reform, as the G20 is not the legitimate forum to resolve this systemic crisis :

The financial crisis is aggravated and deepened by the existing unequal distribution of power in the world. This created an unfair financial, monetary and trade system that favours capital movements and uncontrolled expansion of financial operators, but restricts the right to embed such capital and financial services in regulatory measures. The world not only needs new rules and regulations, but a complete rethinking of the basis and functioning of the international system upon which economies and societies are structured. What emerges from the crisis is a different distribution of power from the previous post-War era, combined with new challenges in form of tackling global inequalities, decent work, human rights, climate change, and the democratic deficit in controlling financial markets as well as many economic operations. A rights-based approach, established in the 1966 UN covenant on Economic, Social and Cultural Rights, coupled with the 1948 human rights declaration needs to be the basis of the construction of this new international economic and financial system.

- All international bodies dealing with international standard setting relating to finance and accounting should come under the auspices of the UN that needs to be reformed and democratised. Particular focus should be put on ensuring developing countries retain the policy space necessary to use financial regulation for development purposes.
- The revival and upgrade of the UN ECOSOC is a necessary step to financial regulation and UNCTAD needs to take on a role of steering global policy on a more representative manner than the current international financial institutions such as the IMF, World Bank. The UN, through enhanced competence in financial, commodity, other speculative market regulation should also be allowed to issue binding sanctions against non-compliant countries and international institutions.
- UN financial regulation should prevail over standards established by the Basel Committee on Banking Supervision (especially 'Basel II'), International Organisation of Securities Commissions (IOSCO), International Association of Insurance Supervisors (IAIS), the Financial Action Task Force (FATF), Financial Stability Forum (FSF), the International Monetary Fund (IMF) and the World Bank. These unrepresentative institutions should only have an advisory and research role relating to financial and fiscal matters of member States, but without authority to impose structural programs and after substantial reform of representation and their governance.
- The role of commercial rating agencies in risk assessments by banks, standardised in the Basel II agreement, and other international assessments should be eliminated, and replaced by an independent rating agency under the auspices of the UN to serve as a bench mark, and by regional agencies where useful. The risk assessment mechanisms should be completely overhauled to include risks to the environment, social inequity, and risks to society including instability of the financial system. In case commercial credit-rating agencies continue to exist, a specialist UN ECOSOC committee should undertake the supervision and regulation of credit-rating agencies for both private and public credit assessments.
- Existing rules in the WTO (under the General Agreement on Trade in Services (GATS)) and the so-called free trade agreements, which seriously constrain regulation and nationalisation of financial services, and prohibit capital controls, should be rolled back. Financial services should be removed from all trade and investment agreements and be

regulated by the UN. The WTO should be placed under auspices of UN and the WTO's current Doha Round cancelled.

- The UN Food and Agricultural Organisation (FAO) should be given a regulatory role of commodities futures markets in terms of controlling food emergency stocks globally with binding treaties for redistribution, and with a view to eliminate speculation (see also below).
- Regional banks should be established to support and finance regional integration and other efforts (e.g. transition to sustainable economies) along side with regional emergency funds to avoid the need of going to the UN fund or currently the IMF. The establishment of regional lending facilities, such as the *Banco del Sur* in Latin America, and regional emergency funds will reduce the dependency over international finance.
- The International Accounting Standards Board (IASB), where financial reporting standards are currently be adopted, should be brought under the UN and be transformed from a private entity into a specialist Commission of ECOSOC, with appropriate input from relevant international institutions and stakeholders in civil society, employees, government and business. Regulation of financial reporting standards is a public function not something left to the professional associations and interest groups. Standards need to include country-by-country reporting, disclosure of all beneficial ownership, and additional requirements for sensitive industries including mining and oil, logging and fisheries.
- The UN Expert Committee on Tax Matters, now established under the auspices of the ECOSOC, should be upgraded and a UN Tax Organisation developed under the auspices of the UN, preferably under ECOSOC. The purpose of such an upgraded organisation would be to the exchange of information for assessment and collection of taxes (see also below nr. 7).
- The establishment within the UN structures of a Global Social and Environmental Security Fund with the powers to distribute the proceeds of global taxation collected by national and regional authorities towards meeting global public goods (see also below nr. 8).
- The establishment of an international debt tribunal within the UN to investigate and pass judgements with respect to illegitimate, and odious national debt (see also below nr 9).
- The ILO has a vital role to play to ensure that employment and income for all related issues including decent work conditions. The ILO should be a central pillar in the global governance architecture to ensure that workers' right are fully respected in all international agreement and by all institution and stake holders.
- The UN should adopt a code of conduct to ensure behaviour by companies that respects human rights and sustainable development, to be incorporated in company laws in all countries world and potentially in a Charter for sustainable economic activity which is being proposed by political leaders of the EU. Once they are adopted, companies will have a legally binding role not to act against the public interest and enact social, environmental and ethical behaviour, including paying taxes.

2. Implement an international monetary system based on a new system of reserves, including the creation of regional reserve currencies, in order to end the current supremacy of the dollar and to ensure international financial stability:

Part of the problem is the current international monetary system. Since 1973 the freely floating currency exchange system has replaced the gold-backed dollar standard and has allowed rich countries to run current account deficits as poor and emerging economies need to hold foreign currency reserves to be able to withstand currency speculation and financial instability. South-South trading is hampered by having to bear a double currency risk of both changing to a vehicle currency (dollar, Euro, yen) and then to the destination country currencies, as liquidity doesn't exist in

international currency markets between all currencies. This liquidity should be created by international monetary regulation to enhance South-South and regional trade.

The issue of currency reserves of developing countries, especially when held in US Treasury bonds is raising many pertinent questions why so much public finances needs to be tied up in these reserves and other fixed assets. These reserves that have been created since the financial crisis of 1997, are non-productive assets that simply serve as a safety buffer against speculative currency attacks, could be now used for counter cyclical policies. The reserves have also contributed to an era of cheap credit in the major industrialised countries, and giving way to high-risk investment strategies inherent in debt financing. Regional issues are however equally important as global agreements. The main issue is the transfer of funds from some regions of the world to others, allowing for very large deficit sustaining regions while promoting some other large surplus generating regions. This gives way to major capital flows from one to the other both illicit or licit. The general aim should be towards having a more stable system with interregional regulations and intra regional strong mechanisms to have the incentives for these flows not to occur. The example is the European monetary system example established in the 1970's with a defined range of deficits and surpluses in intra regional trade and in fiscal accounts.

- The stabilisation of exchange rates should be done by a global reserve currency system, much like proposed by Keynes in the form of a BANCOR, which exists within the IMF's accounting in the form of special drawing rights (SDR) while having also the mandate to create legally valid money.
- This reserve currency system, should be established to determine target base rates for currencies with a double-tier Spahn-type tax to regulate foreign currency fluctuations that are outside either the established target range, or a 30-day moving average.
- Regional monetary and financial regimes such as regional reserve currency boards, and regional monetary policy should be established in all major world regions in an autonomous manner.
- UN institutions should be empowered to regulate the automatic stabilisation of currencies to end the dollar dominance in foreign exchange markets, which significantly hampers South-South trade and raises the risks and costs of regional trading blocks.
- Currency target rates should be established by a UN institution in a continuous manner upon which public policy makers would be able to base their level of intervention in currency markets through taxing transactions, regulating the flow of commodities, and if else fails in directly intervening in buying up currency in open market operations.
- These and other measures should aim also at ending the need for vast currency reserves of developing countries held up in unproductive US/EU government bonds. These reserves are a clear structural transfer of wealth from the South to the North and a new international system of reserve should allow developing countries to finance global public goods.
- Regional and global interest rates must be regulated in such a manner that there is a strong disincentive for short-term flows and hamper currency assaults. For instance, margin differentials should not be very large from one region to the next. This could be assured through capital reserves margins deposited at the central bank of the receiving country when it receives short-term deposits for either the currency markets or the stock markets.

3. Establish international permanent and binding mechanisms of control over capital flows:

The opening of borders to cross-border financial flows not only altered financial stability, national revenue and wage bargaining, it also created a space for mobile capital to compete between States which provide tax, regulatory and labour

market incentives for foreign investors. This fiscal and regulatory “dumping” has undermined the power of the State to tax its citizens and companies in its territory. Furthermore tax competition in terms of corporate taxes along with enormous tax evasion and avoidance have shifted the tax burden away from capital towards labour in rich and developing countries alike.

- Establishing a legal framework for capital controls, to be used at the discretion of the countries in question to increase their policy space. This means that no trade and investment treaties should restrict capital controls (and such treaties which do should be reversed) and the IMF and World Bank conditionalities should not remove capital controls.
- Long term investment is to be encouraged, e.g for instance:
- Countries should reserve the right to set temporary deposit obligations on all capital entering a country corresponding to 30% of the invested sum. After one or two years, this deposit would be returned to the investor, thus encouraging long-term investments. These measures were both used by Chile in the 1990s, and Asian economies in the 1997 crisis, and are used to some extent currently in Brazil.
- The stock exchange could also be subjected upon the discretion of national authorities to impose a one-month moratorium on the sale of bought shares, or alternatively a regressive tax on the basis of how long an asset is held, over time. These measures were applied in Malaysia during the financial crisis of the 1997.
- Controlling outflows is also important, especially illicit outflows out of developing countries, which are estimated to be on average 900 billion USD. This will require tackling the offshore tax havens and foreign banks, and financial reporting and accounting rules as described below.
- Establish new lending rules that takes into account both the interests of the creditors and debtors, allowing debtor State to form associations in order to formulate common positions much like creditors do already.
- Measures should be taken to discourage capital flows to speculate on foreign currencies. A currency transaction tax needs to be established along the Spahn-model, whereby the more speculative currency transactions become, the more they will be taxed. For example, a double-tier model of taxation is established per currency space (including currency unions), where a basic rate of 1 basis point (0,01%) is applied as a revenue collecting mechanism, but a much higher rate to be decided by national governments at their own discretion is applied when the currency is trading outside (+/-10%) an established 30-day average, or target range.
- Financial transaction taxes, relating to all bank and financial operations (including stock exchanges and other financial products) should be established as a global norm so to enable the collection of revenue from mobile capital. Such a tax existed in Brazil between 1997–2008 by the name of the CPMF. This tax would have two objectives: to establish revenues for the state in a progressive manner, and also a regulatory function in terms of keeping records over financial transactions. For regulation to be effective, co-operation between fiscal and regulatory authorities is needed on a permanent basis.

4. Implement a global mechanism of state and citizen control of banks and financial institutions. Financial intermediation should be recognised as a public service and a human right that is guaranteed to all citizens in the world and should be taken out of free trade agreements:

The financial crisis has clearly shown a serious lack of social and public control over banks, basic financial services and monetary creation. The freedom of financial

services and financial markets was guaranteed in free trade and investment agreements with no guarantees for the public and universal access to financial services. Social and public control needs to be established over banks, basic financial services and monetary creation. Basic banking services and monetary creation should become under public control, meaning that the public would be both a more active owner of financial institutions. This could be done both as public interest organisations such as co-operatives, mutuals and credit unions structures that ensure representation, which existed until banking services were liberalised and allowed to expand to speculative banking, as well as public services as was previously the case in some countries as postal banks, semi-public lending institutions. Banks having created money through lending should see their role in monetary growth diminished drastically. The public control of banks would mean that the public would be both a more active owner of financial institutions, and use the ownership through co-operative, mutual and credit union structures that ensure representation. Secondly the public has an oversight role in privately owned banks, in terms of transparency of all products being sold and bought on the market, and banning speculative forms of behaviour that can be detrimental to the wider public.

The financial logic has penetrated the spheres of public service provision where pensions, hospitals, schools, housing in many countries underwent privatisation, or have been drastically been reduced cut-back or placed under market-like conditions. The short term profit logic resulted everywhere in bonus pay, temporary work contracts, and ever lesser role for collective wage bargaining.

The effects of the current failed system, financed by many of the collapsed banks, are seen in the plunder of natural resources and pollution of the environment by Northern mining companies, while various investment agreements and tax incentives and low royalties undermine the effectiveness of the state to benefit from resources in its soil. The degradation of public finances, which are the cornerstone of every society, rich or poor, not only to deliver public services, but also to serve as a basis for public investment. State initiatives have been off the agenda for too long, and it must return along side with democratic reforms, guarantees of working for, and regulating in, the public interest, especially the poor, and tackling global inequalities.

- Everybody has a right to financial services. Access for all to basic financial services should be provided at affordable prices, reasonable distance of access, including microfinance, without making clients unduly indebted and addressing information imbalances. Basic financial services include savings, lending and money transfer. Social finance can help the poor to defend their rights to further services that require financial intermediation.
- Creating a separate statute for co-operative banking as an egalitarian and a democratic banking structure, with clear public information about their role in society.
- Where banks are in serious trouble, they should be nationalized and their management replaced public officers who guarantee integrity and the public interest. No bail out for banks without public interest safeguards and no bail-outs given before all offshore affiliates are accounted for and all transactions disclosed
- Restoring the separation of investment banking, retail banking, and insurance, through clear separate statutes, tight regulation prohibiting crossing the boundaries, for instance with derivative or structured finance products, and application of clear sanctions.
- Privatisation of pensions and the role of private pension funds should be reviewed. Pension funds should refrain from using short term speculative investments instruments.
- Banks should not engage in financing, offering of, and investing in tax avoiding and highly secretive structured financial products or banks and professionals.

- All financial products need to be ‘regulatable’ i.e. transparent and know what’s in them much like food standards (e.g testing if they are ‘toxic’). No financing, offering of, and investing in tax avoidance and highly secretive structured financial products or banks and professionals, all financial products and contracts need to be transparent, that is, clear and readable, in accordance with consumer protection standards.
- Failing the optimal solution of banning financial derivative products, all existing and new financial instruments (of which there should be a public registry of all approved financial instruments) should only be allowed subject to a period of approval, testing, public and regulatory scrutiny and the mobilisation of specialist academic or expert knowledge in the case of doubt.
- All financial activities are subject to scrutiny based on criteria that aim at contributing to socially and environmentally sustainable activities, such criteria should be used to award public contracts and preferential lines of credit much as a percentage of large investment funds (much like social housing quotas).
- Binding social and environmental standards should be established for, and to be respected by, all companies and any other legal entities, including banks and financial institutions, as part of company laws worldwide.
- Banking laws should include compulsory participation of banks in debt settlement processes.
- No trade or investment agreement should restrict and interfere with regulation and supervision of financial operators and financial services, nor restrict capital controls, and current restrictive trade rules should be reversed (see above nr. 1). Expansion of financial services and financial operators should be under public control and incorporate all guarantees to contribute to sustainable financial services and universal access to financial services.
- All banks that are potentially too big to fail should be forced to split up and be subject to reformed anti-trust and anti-monopoly laws.
- Conflicts of interest should also be clearly regulated between rating agencies, and their other branches of business in advisory services serving the same client groups; as well as accounting firms that do both accounting and management consulting services.
- Establishing public control on the composition of financial, accounting and property rights regulatory bodies and addressing conflict of interests that arise in terms of nominations, representation of the board from different stakeholders, including employees, and the participation of public officials in financial and other companies.
- Establishing public registries of all firms, trusts, foundations, and other corporate entities, with clear reporting of beneficial ownership of affiliates. Remuneration of management, direct and indirect, to be disclosed. States should establish caps on such remuneration. Stock-options to be abolished, and bonuses to be performance-related.
- Establishing compulsory standards for country-by-country accounting for all companies that have foreign affiliates, to determine the tax burden of each company with respect to all States they operate in, tax payments. Furthermore such information should be made publicly available from corporations.

5. Prohibit hedge funds and over the counter markets, where derivatives and other toxic products are exchanged without any public control:

the development of speculative funds, two third of which operate from off shore centres, and derivatives of which two thirds are trade over the counter (OTC) without any transparency, control or oversight, have resulted in opaque risk taking with systemic consequences that

resulted in the current crisis. Therefore, all derivative markets need to be regulated and all speculative funds should be prohibited from using high leverage mechanisms which result in huge consequences for the financial system.

- Hedge funds and financial any derivative products to be outlawed. Failing outright prohibition of hedge funds and financial derivative products, a registry of hedge funds, and other leveraged investment vehicles needs to be established and administered within the multilateral frameworks to detect the influx of speculative operations.
- Given the risk from highly leveraged and unregulated, all financial bodies, including hedge funds, must be strongly regulated, not only where they are held but also where they are being sold and traded, amongst others with capital requirements. Transparency is a must and oversight must be based on agreed standards to prevent regulatory arbitrage and prevent evasion of regulations and speculation. Effective and automatic information exchange between authorities would help tackle regulatory arbitrage and loopholes that are being exploited by speculative funds.
- The sale of over-the-counter derivatives and financial instruments should end and only take place as regulated financial transactions, where every trade is publicly registered by the regulators, with applicable checks conducted as necessary (with capital requirements and margin calls). Clearing systems must come under governmental control.
- Off balance sheet assets should be prevented through stricter country-by-country accounting and financial reporting standards that requires the declaration of beneficial ownership of special entities and/or offshore subsidiaries in all cases where rights and obligations are not clearly stated in financial statements. Securitisation operations should be both more transparent as to the underlying assets, and subject to public scrutiny through registration requirements and publicly owned rating agencies.

6. Eradicate speculation on commodities, first of all food and energy, by implementing public mechanisms of price stabilisation:

Commodity markets in particular have experienced a severe price shock in the wake of the financial crisis: because of real estate and financial crisis, speculations moved away from depreciated markets towards commodity futures, searching for more profits thanks to the increase of the prices. These movements contributed itself to the increasing prices and to the decoupling between the prices and the real markets. Above all, these sudden speculative movements rely on a liberalization of the financial markets for dozens of years. Face to it, the access for everyone to sufficient and safe food must be respected as a fundamental human right.

- In the short term, the only one solution rely on the control of the speculative commodity futures trading on food markets. The operators who manipulate the commodity markets must be sanctioned by a body under the auspices of public authorities and created for this purpose.
- In a medium term, commodity future could be progressively removed. India took this decision during the explosion of the food prices: it allowed to stabilize the domestic price of wheat .
- However, food prices, and more largely commodity prices, are specifically instable. Face to this situation, the commodity futures played historically a role of insurance prices for producers and buyers on the international markets. Thus the progressive suppression of commodity futures must be replaced by a global public system of stabilization of prices and available volumes. International bodies within the UN should have a key regulatory role, instead of the WTO agreements.

- The UN Food and Agriculture Organisation (FAO) should establish global prices for basic food commodities (especially minimum prices for tropical products) and monitor stocks (see also above nr. 1).
- The food sovereignty must be acknowledged in the international law: each country or group of countries can implement their own agricultural and food policies according to their needs and without dumping. Countries need to have the right to control food movements, since staple foods, water and shelter should abide special regulations linked to their role in a rights based approach. They must be able to protect their borders (including with variable taxes), to better control the multinational companies and to constitute minimum stocks.
- Food solidarity should be complementary to food sovereignty, as they are both based on the principle of achieving the right to food. Food solidarity mechanisms should ensure that communities whose food production is not sufficient are getting access to food and access to mechanisms to improve food production. Distribution should be carried out by UN mandated officers together with national authorities. The World Food Programme should ensure that global distribution of emergency stocks (both reserves, seeds and other food chain inputs) is managed effectively and prioritise buying produce from local and family farming.
- Finally, concentration in the food chain, from commodity producers to supermarkets, should be reversed and dismantled.

7. Dismantle tax havens, sanction their users (shareholders, depositors both individual and corporate, banks and financial intermediates, agents, accountants and solicitors) and create an international tax organisation to combat tax competition, abusive tax avoidance, as well as tax and evasion:

Major financial centres have made use of the so-called “offshore” financial services that rely on the existence of secrecy jurisdictions, in-existent regulation, low taxes and inadequate accounting standards. The City of London largely survives as the world’s leading financial centre due to its 30 or so British offshore satellites. Markets have always worked more equitably and efficiently when accounting standards, formalisation, bureaucratisation and transparency have fostered information sharing, to allow for informed decisions to take over speculative ones. Banking secrecy and all the instruments of opacity are unacceptable, and financial products based on them untrustworthy, including the 70% of hedge funds that are offshore, products based on securitisation where assets are not traceable, and most derivatives where assets are repackaged often to avoid regulation. This secrecy needs to be tackled alongside liberalisation and regulatory deficit of these products. Also measures to make global trade and all financial operations/products tax compliant should be introduced, so that taxes are paid where profits are made. ‘Financialisation’ goes counter to any serious efforts for economic, social and ecologic development.

- Transparency of all assets and transactions is needed along with automatic information exchange treaties (both regional and global in scope). This should replace capital adequacy of the first pillar of Basel II which relies partly on private bank reports, which shouldn’t be trusted for purposes of effective regulation.
- Financial centres providing financial secrecy services in one way or another (e.g. not holding a proper register for trusts including beneficial ownership) should not be judged as compliant to international treaties on information exchange, as the compliance depends on the self-compliance of the clients to declare their assets, which isn’t in any ways adequate in terms of regulation.

- Compliance for jurisdictions should mean actually establishing satisfactory and transparent mechanisms for automatic, on request and spontaneous exchanging information multilaterally, and not just making non-binding 'commitments' or bilateral deals. Transparency and information exchange should become the rule in tax, tariffs, judicial and prudential matters and compliance should be assessed accordingly.
- Compliance for companies would be by adopting country-by-country reporting standards for all transactions (both third-party and intragroup), labour costs and number of employees, finance costs (third-party and intragroup), profits before tax, provisions for tax and tax and royalties actually paid, and tangible asset investment, without exception for any jurisdiction.
- Consider all dependent, autonomous, Crown and overseas, territories as integral parts of States they depend on for monetary, foreign and security policy and stop considering them as sovereign territories for all purposes of regulation, and international responsibility.
- We should encourage cooperation especially between fiscal and regulatory authorities, in the form of devising effective rules and practices for financial transparency, and effective taxation of residents and companies operating in the territory of the state in question.
- Off-balance sheet accounting should be more strictly regulated by bringing regimes that promote banking secrecy to automatic information exchange treaties.
- Ultimately the taxation of transnational corporations should adopt a unitary approach, whereby an entire corporate group's accounts are consolidated in order to determine tax liabilities in different States and jurisdictions.
- The distribution of tax revenues from transnational corporations should be based on actual economic activities taking place in different states, giving equal weight to revenues and employment in a given economy.
- Federal, regional and UN initiatives are required, including the creation of an international tax organisation instead of the existing very low-profile UN Tax Committee on tax matters, in order to tackle tax competition, including fiscal harmonisation (best done initially by determining a fiscal range of +/- 5% to allow limited national policy space), automatic information exchange as outlined above, and a policy environment that favours public finances.
- Banks should be mandated to provide monitoring reports on how they comply with know your client (KYC) rules, it is too often the case that banks have no willingness or adequate attention to check the beneficial owners of a trust, and other secretive ownership vehicles.
- Banks must be obliged to tell their customers and the authorities upon request, where the individual deposits made in a local branch are actually located. Consumer laws should be updated to this effect, so that consumers know if their pensions or savings are located offshore without their knowledge.
- Adopt a UN code of conduct against the promotion and practice of abusive tax practices. Such a code should be adopted in fiscal and company laws across the world, and by professional bodies as a condition of their membership.
- Regional treaties should be devised for regional tax co-operation, besides the UN process that is introduced above. For instance the European Savings Tax Directive should be revised so that withholding at the source would no longer be an option, apply to all sources of capital income such as dividends and include all entities such as trusts and charitable foundations that provide banking secrecy, and enlarge its scope to non-member States.

- Sanctions can include placing a financial transaction tax on transactions made with non-compliant jurisdictions, refusing the deductibility of interest or other payments to entities taking advantage of secrecy in such jurisdictions, excluding companies and banks which operate in such jurisdictions from procurement contracts and from public export credit, or even prohibiting the establishment of branches (or stakes in subsidiaries) in such jurisdictions.
- Binding sanctions should be applied to non-willing States and banks to effectively tackle banking secrecy and regulatory arbitrage in trade and regional co-operation agreements that are signed with tax havens.
- More severe and systematic sanctions should also apply to any financial intermediates involved in the conception, creation or complacent auditing of abusive tax avoidance mechanisms.
- State aid should not be given to banks with branches in a tax haven, or to, nationalised banks that were seen as too big to fail. Loan and bailout conditions should include the closing down of tax haven operations.

8. Establish a new international system of wealth sharing by implementing a progressive tax system at the national level and by creating global taxes (on financial transactions, polluting activities and high income) to finance global public goods:

Redistribution of all wealth should be a major concept on which reforms should be based. One solution, while not a substitute to state-building and community-building efforts, is the idea of creating global progressive taxes to finance global public goods. This concept has been forged to describe needs that exist on the planetary scale and that cannot be provided by the market alone. The lack of global progressive taxes is an unwarranted subsidy on globalisation. It is both economically distortionary, environmentally unsound and creates further social inequalities through lost tax revenues.

We also need a new concept of wealth and to evaluate and re-conceptualise our value theories accordingly to serve as a measure for social and ecological values produced alongside with financial profits. The role of the co-operative, mutual and solidarity-based economy as well as efforts to estimate the unpaid work of women, and the concept of the ecological commons need to be understood in relation to accumulated wealth. Regulatory innovations can find both inspiration and best practice in these sectors of the economy that are constituted not only to provide for financial returns.

- Different types of global taxes are justified due to an untapped tax base in cross-border economic and social activities, and for its redistributive and regulatory means that taxes also provide in global society.
- Taxing currency trading and stocks, and essentially all financial transactions. Currency transactions today outpace the real economy, this space between the financial and the real economy should be brought closer by taxing unproductive currency transactions along the Spahn-model as outlined above.
- Unitary tax on corporate profits needs to be instituted on transnational corporations, as they often threaten to leave a country unless tax holidays or outright industrial subsidies are given. Furthermore taxes are too easy to evade through transfer mispricing and other trade related corruption. A unitary tax would be a form of a global tax on the global profits of multinationals.
- A wealth tax would apply to the world richest individuals. There are about 100,000 ultra

rich persons in the world with over 30 million USD in financial assets totalling to 14 trillion dollars. One percent tax would bring a major source of revenue to the states.

- If tax of carbon dioxide emissions are being levied, they should be levied on both production and consumption of high-carbon products during its lifecycle. The carbon tax collection would therefore be shared according to agreed proportion between the producer and consumer countries, while proceeds would be committed to the Global Environmental and Social Security Fund. Furthermore the hugely regressive pollution permits scheme that favours established polluters should be replaced by a principle of capacity to pay which establishes a progressive scale for carbon taxes. Also, vast programmes are needed to develop public transportation, to renovate homes and the entire built environment, and to relocate jobs would be considered through public support.
- Tax on high-level, long-lived nuclear waste would encourage a reduction in the production flows and even in stocks of high-level radioactive waste.
- Tax on air transport is already experimented in the form of the Chirac tax on flight tickets, which was a direct outcome of the Landau report that outlined a set of global taxes. While being insufficient, it shows that such initiatives are present a plausible path to follow.

9. Cancel unsustainable and illegitimate debt of impoverished countries and establish a system of democratic, accountable, fair sovereign borrowing and lending that serves sustainable and equitable

development: The perpetration and accumulation of irresponsible, ecological and illegitimate debt is a further example of how powerful lender countries interests dominate global credit markets. Cancellation of unsustainable and illegitimate debt is one instrument to redistribute wealth and provide Southern countries with financial resources to cope with a financial crisis created by Northern countries and their unfair financial system. Borrowers have no common representation, and have no manner of challenging past debts in a transparent and impartial framework, nor demand for truth and justice on the lending practices to past dictators and bankers. Debt still entails an important South-North transfer of capital and resources and the imposition of policies according to the lenders' interests. Audits are important tools for social movements, citizens and governments to assess the impact and legitimacy of debts and to set the basis for sanctioning those responsible for illegitimate and illicit actions, recovering what has been unjustly collected or stolen. It is also crucial to institute new alternatives for the sovereign control over financial resources such as an international responsible lending and borrowing framework. Debt audits must include all public debts (external and internal) and must be launched by both Southern and Northern countries. Debt audits allow us to identify illegitimate debts and therefore cancel them with no conditions from creditors. We support the recent decisions in favour of comprehensive and participative debt audits, which are the result of social mobilisations (CAIC) in Ecuador, bi-national debt audit in Paraguay, Parliamentary Investigation Commission (CPI) on the Brazilian debt.

- The debt problem needs to be reconsidered from the aspect of human, social, economic and environmental rights. The fulfilment of these rights should take priority over the rights of lenders. This involves the immediate cancellation of debt wherever its repayment prevents the state from fulfilling its fundamental duties towards its citizens. The current crisis has increased the number of countries enduring unsustainable indebtedness from a human development perspective.
- Launch participatory and public debt audit process to identify and cancel illegitimate debts and create permanent bodies in the UN, regional co-operation organisations and national

parliaments to deal with the issue at all levels.

- The establishment of an international debt tribunal within the UN to investigate and pass judgements with respect to the legal validity and repayability of debt, especially in the cases of social and political distress, illegitimate, and odious debt.
- Establish new lending rules that take into account both the interests of the creditors and borrowers, allowing the latter to form their cooperation bodies in order to formulate common positions much like creditors do already.
- Establish an impartial and transparent debt work out mechanism.
- Introduce responsible lending and borrowing framework in order to prevent unsustainable and illegitimate debt.
- Creditors should cancel illegitimate debt claims immediately and without conditionality, and borrower countries should undertake unilateral action to stop payments on both interest and on principal as given permission by the law.
- Restitution of undue wealth should become a principle of international law beyond the cope of the Merida Convention regarding the product of corruption. This return of stolen assets should cover all forms of illicit capital flight from impoverished countries, including corruption by transnational corporations and corrupt leaders, tax evasion and unduly repaid illegitimate debt.
- All countries and their dependencies should at the very least ratify and apply by 2010 the UN convention against corruption (Merida Convention), which outlines in its article 51 that restitution of all stolen funds of the people is a fundamental principle of international law.
- Allow for debtors also the formation of interest groups and common representation of views, much like public debtors have formed the Paris Club, and private debtors have the London club.
- Economic stimulus plans aimed at dealing with the crisis should not be based on further lending, but rather on public finances and domestic resource mobilisation.
- Lenders, multilateral, public and private need to incorporate into their international legal statutes binding obligations to follow environmental and social codes of conduct with respect to lender practices. This should be established in a new treaty framework. If these codes of conduct are broken, a shared responsibility for potential default is assumed without further recourse to debt tribunals.
- All countries and their dependencies should at the very least ratify and apply by 2010 the UN (so-called "Merida") Convention against Corruption, which outlines in its article 51 that restitution of all stolen funds of the people is a fundamental principle of international law. The ratification laws should have extraterritorial application.

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