

# DOHA 2008: THE TIME IS RIPE!

**The Doha Review Conference and the  
PROPOSAL FOR AN  
INTERNATIONAL POLITICAL AGREEMENT  
TO IMPLEMENT A  
CURRENCY TRANSACTION TAX (CTT),  
which is intended as a source of FfD in that  
the revenues would go to existing UN multilateral funds,  
with the aim of achieving the MDGs by 2015**

## 0.7% ODA + 0.007% CTT\*

**From paragraph 44 of the Secretary General's Note for to the Special High-Level Meeting of the ECOSOC held in New York (14 April 2008) on the Monterrey Consensus (2002):**

1.6. There is renewed international interest in a possible currency-transaction “development levy” of 0.005 percent, a minuscule tax that is not expected to materially affect market operations while having the potential to generate billions of dollars that can be allocated for development. OECD countries are already raising substantial amounts of revenue on various types of financial transactions taxes with no apparent negative impact on financial markets. The international financial system already has clearing and settlement mechanisms that can manage the collection of this levy at low cost for any one country unilaterally. The difference is that, by its nature, currency transactions taxes involve more than one country, being levied on exchanging the currency of one country for another. Thus, these are taxes that are best implemented in a cooperative manner among countries.

The universe of taxes on financial transactions has many dimensions. The *CTT for FfD Campaign* has a specific collective goal: to significantly increase the funds allocated to finance development, which should be additional, predictable, stable and sustainable. The money collected must be managed under the principles of transparency and accountability, with the real and active participation of all the multistakeholders. However, the promoters of the Campaign consider that other international taxes on financial transactions with a regulatory aim are essential, and will continue to be so.

This document was produced by the Secretariat of the World Forum of Civil Society Networks – UBUNTU and the World Campaign for in-depth Reform of the System of International Institutions in the context of the “NGO Working Group on CTT for FfD”.

\*The proposal launched by the *CTT for FfD Campaign* suggests a 0.005% tax, in accordance with other initiatives and the note of the UN SG. Here we maintain the proposal of a 0.007% tax to point out that this figure is not a key subject, and that it may oscillate within a certain range.



## CONTENTS

<b>o. Summary of the main ideas/proposals</b> .....	page 4
<b>1. Introduction</b> .....	page 5
1.1. The importance of the context: the MDGs and the forthcoming review of the Monterrey Consensus .....	page 5
1.2. New sources of Financing for Development .....	page 6
1.3. The currency transaction tax (CTT) .....	page 8
<b>2. The CTT: an approach to the proposal</b> .....	page 10
2.1. The figures .....	page 10
2.2. On a possible mechanism for applying the tax .....	page 13
<b>3. The political proposal for multilaterally creating the tax in the context of the Doha Review Conference</b> .....	page 14
3.1. From the approval of an International Political Agreement in Doha 2008 to the International Treaty of 2009: a possible strategy and outline of the work plan .....	page 14
3.2. On devoting the tax revenues collected in the first period of CTT application to multilateral funds for achieving the MDGs .....	page 15
<b>4. The time is ripe! International civil society must organise an initiative of initiatives culminating at Doha 2008 in an International Political Agreement for implementing the CTT being approved!</b> .....	page 15
4.1. The time is ripe! .....	page 15
4.2. Some of the initiatives .....	page 16
4.2.1. HALIFAX .....	page 16
4.2.2. ATTAC .....	page 16
4.2.3. NIGD .....	page 16
4.2.4. CIDSE .....	page 16
4.2.5. STAMP OUT POVERTY .....	page 16
4.2.6. NORTH-SOUTH INSTITUTE & SOCIAL WATCH .....	page 17

## **0. SUMMARY OF THE MAIN IDEAS/PROPOSALS**

Still on about the tax on currency transactions (CTT)? Yes! Still on about it, though now with the conviction that it must be definitive, that **the time is ripe!**

Now that we are half-way towards the date of 2015 set for attaining the **Millennium Development Goals (MDGs)**, everyone agrees that **it will not be possible unless there is drastic change in financial trends**. Even in this 2008 Davos Forum there was unanimity in that “2008 is a critical year. If we don’t begin to get back on track we will fail,” in the words of Ban Ki-Moon, Gordon Brown, Umaru Musa Yar’Adua...

**And now, over the coming months, a whole range of events will be concentrated**, involving the system of multilateral institutions and concerning the issues of Financing for Development, Development Assistance (the Paris Declaration process) and Development Cooperation (in the first Development Cooperation Forum of the ECOSOC). **All these will come in the framework of the Conference for the Review of the Monterrey Consensus on Financing for Development, and will be concluded there.**

The Monterrey Consensus on Financing for Development, though clearly upset by processes unrelated to the United Nations such as the launch of the new round of deregulation by the World Trade Organization, was intended precisely to provide the responses needed for finding mechanisms for financing in order to advance down the path to achieving the MDGs and further objectives from other UN Summits.

The situation now is that **the review process on this Consensus may/must be used solely for taking the essential measures for bringing about that above-mentioned change in financing trends and channelling the results into achieving the MDGs at least.**

It is in that sense and in that context that we believe that a conceptual, paradigmatic leap is required in the debate on the CTT, a debate which can and should be central. That issue must be placed at the centre of this review process on the Monterrey Consensus. For the fact is that this matter has been the object of an unusually unilateral approach so far: we have been talking about the CTT for years, seeking the example, the pilot country to lead its implementation... However, that proved not to be, and surely cannot be, the right way to proceed. **That is why we propose committing to a multilateral approach to implementing that tax – an International Political Agreement, approved in Doha, and leading swiftly to a UN Treaty to come into force in late 2009, and enabling the necessary funds to be collected for making progress on the MDGs.**

**That tax, which has been the subject of a great deal of study and which is perfectly applicable in technical terms (see section 4), would be applied to the international currency-exchange market, which is now estimated to be worth an average of 3 billion US dollars a day. A 0.007 deduction (symbols are important: 0,7% ODA and 0,007% CTT) would enable the MDGs to be financed, according to the studies produced by Jeffrey Sachs.**

The funds collected by each signatory country to the international treaty would be passed on to the UNDP, and would then be allocated on the basis solely and exclusively of development criteria and purposes, beginning with and giving priority to the development of the least advanced countries.

## **1. INTRODUCTION**

After the change of UN Secretary-General on 1 January 2007, some processes for the 2005 World Summit (reviewing the road towards the Millennium Development Goals [MDGs] and the reform of the UN itself) still remain open to some extent, though weakly so. There are also major crises within the Bretton Woods Institutions (BWI) and the World Trade Organization (WTO). In this context, the scheduled Review of the Monterrey Summit on Financing for Development will come, as we see it, as the time of the greatest tension, interest, attention and future concentration in the short term regarding the world of multilateral institutions, and thus the time for tackling one of the crucial issues facing humanity in these early years of the new century: development.

All that may result in extra momentum to make all parties working for the in-depth, substantive reform of international institutions muster their combined energies and forces to start fulfilling those much-needed aims. The idea is to achieve the change that is indispensable in international policies to make sustainable human development possible in every corner of the planet. This change emerges as all the more indispensable now that we can see how we are still failing to move in the right direction even though we are half-way towards the date set for achieving the MDG.

The atmosphere of the forthcoming Doha meeting is already present in many forums. And the responsibility to get mobilised falls to internationally organised civil society, among other actors. This proactive working document seeks to go one step further in the vast and outstanding work that has been put in for years now by many organisations on the debate on taxing international speculative capital flows, a debate that must be more present than ever over these months and at Doha.

We here at the UBUNTU Secretariat see that tax as an essential source of predictable financing for development, and a significant step in redistributing wealth from those who gain most benefit from the present-day neoliberal capitalist globalisation and those who are most harmed by it. And we would also like to see in it another step in a systemic transformation towards an increasing multilateralism in FfD.

### **1.1. THE IMPORTANCE OF THE CONTEXT: THE MDGS AND THE FORTHCOMING REVIEW OF THE MONTERREY CONSENSUS**

The official community of donors made a commitment through the Millennium Development goals to lifting millions of people out of poverty by 2015. Now however, 8 years after the Millennium Summit, it seems clear that many countries will not achieve those goals

unless they have significant additional Official Development Assistance (ODA) resources.

To make matters worse still, far from having achieved the aim embraced three decades ago by the developed countries of collecting 0.7% of GDP, ODA has been falling again over recent years. That is, if debt relief (which was very significant in 2005, and also in 2006, mainly for Iraq and Nigeria) is excluded from the calculation, Official Development Aid fell by 1.8% from 2005 to 2006, and we also know now that it continued to fall in 2007.

It is also to be stressed that nearly 70% of total ODA is bilateral. Moreover, that bilateral Assistance seems to be concentrated on a small number of recipients, as noted by the Secretary General of the United Nations in *Follow-up and implementation of the outcome of the International conference on Financing for Development* (Document A/62/217 of 10 August 2007):

79. ...*The World Economic and Social Survey 2005 noted that the top 20 recipients received more than half of net bilateral ODA and less than 50 per cent of aid recipients received 90 per cent of all aid from DAC donors. There are many poor low-income countries that receive very little aid and a few that have experienced surges in aid flows.*

The forthcoming meeting of the International Conference on Financing for Development, to be held in Doha on 29 November - 2 December 2008, affords us an important opportunity to review all these situations and, in particular, to renew commitments and to clear the way for new sources of financing for development – sources that are multilateral, transparent and sustainable, that aim for true development designed by the transforming agents themselves, and that are based on a fairer distribution of world resources. It is in this context that civil society must avail itself of the run-up to that meeting in Qatar and the Doha meeting itself to put pressure on the governments and international institutions involved in order to achieve the most satisfactory outcomes.

## **1.2. NEW SOURCES OF FINANCING FOR DEVELOPMENT**

As noted in the Secretary General's recent Report *Follow-up and implementation of the outcome of the International conference on Financing for Development* (Document A/62/217 of 10 August 2007), the Millennium Declaration already set down back in 2000 a commitment by Heads of State and Government to find new sources for financing development. The Monterrey Consensus also paid attention to those mechanisms, and this was backed by subsequent inter-governmental initiatives seeking to develop them. Particularly notable in this respect is the work done by Action against Hunger and Poverty and by the Leading Group on Solidarity Levies to Fund Development.

Even though the initiatives launched so far by the Leading Group are probably not the best examples, a very important step did come in the form of the decision announced in Seoul in September 2007 to set up a new working subgroup on illicit capital flight, led by Norway. In line with the words of the Report of the UN's General Secretary *Follow-up and implementation of the outcome of the International conference on Financing for*

*Development* (Document A/62/217 of 10 August 2007), we are totally in favour of these issues being pursued wholly within the United Nations as soon as possible.

94. *Although it was very controversial just a few years ago and the funds that have so far been raised have been small, the topic of innovative sources of finance has been largely brought into the mainstream and most Member States now recognize it as an important aspect of financing for development. [...] At the 2005 World Summit, heads of State and Government recognized the value of developing innovative financing and took an interest in the ongoing international efforts.*

95. *It is thus encouraging that several projects have been implemented quickly and successfully and that various additional ideas are being discussed. [...] It appears important to devote attention to developing and scaling up existing pilot projects. Proposals might also be prioritized by the volume of flows they can leverage and new types of added value they can provide. Civil society and the private sector could play a visible role in the design of projects and in monitoring the use of resources. [...] The United Nations system has shown that it can be a catalyst for these approaches and an efficient instrument to discuss, obtain support for and help implement some of the initiatives.*

96. *Several innovative mechanisms for finance have been proposed and should continue to be explored. [...] Another issue that should be kept in mind is the appropriate balance required between international coordination and national implementation of these initiatives. As much as possible, the funds collected through innovative financing mechanisms should be pooled and disbursed through existing multilateral institutions with good track records in achieving development results, including organizations of the United Nations system. Specific multi-stakeholder task forces could also be set up by the Leading Group on Solidarity Levies to Fund Development and the group on Action Against Hunger and Poverty, or similar groupings, to study in-depth initiatives and proposals that may be ready for broader consideration and possible implementation.*

.....

In addition to the two plenary meetings envisaged by that Leading Group (in Dakar in the first half of 2008 -22 and 23 April- and in Conakry in the second), this year's international political agenda offers other occasions for working on innovative mechanisms for financing: they are among the issues envisaged by the Special High-Level Meeting of the Economic and Social Council with the Bretton Woods institutions, the WTO and the UNCTAD, and they will also be dealt with in the various working sessions scheduled as part of the official programme for the General Assembly with reference to the Doha meeting, including the review of the chapters of the Monterrey Consensus, and hearings with civil society.

We would like to highlight here, from that context in general, the highly significant political evolution entailed in having moved on from paragraph 44 of the Monterrey Consensus or *Final Report of the International Conference on Financing for Development* (Document A/CONF.198/11 March 2002), viz:

44. We recognize the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries. In that regard, we agree to study, in the appropriate forums, the results of the analysis requested from the Secretary-General on possible innovative sources of finance, noting the proposal to use special drawing rights allocations for the developing countries. We consider that any assessment of special drawing rights allocations must respect the International Monetary Fund's Articles of Agreement and the established rule of procedure of the Fund, which requires taking into account the global need for liquidity at the international level.

**to the Note of the Secretary General in preparation for the above-mentioned High-Level Meeting of the ECOSOC to be held in New York on 14 April:**

*I.6. There is renewed international interest in a possible currency-transaction "development levy" of 0.005 percent, a minuscule tax that is not expected to materially affect market operations while having the potential to generate billions of dollars that can be allocated for development. OECD countries are already raising substantial amounts of revenue on various types of financial transactions taxes with no apparent negative impact on financial markets. The international financial system already has clearing and settlement mechanisms that can manage the collection of this levy at low cost for any one country unilaterally. The difference is that, by its nature, currency transactions taxes involve more than one country, being levied on exchanging the currency of one country for another. Thus, these are taxes that are best implemented in a cooperative manner among countries.*

### **1.3. THE CURRENCY TRANSACTION TAX (CTT)**

Among the innovative mechanisms for financing development – and also present in latent form in the above-mentioned Pilot Group – are the proposals on international financial levies, and in particular the tax on international currency transactions, which are usually speculative in nature.

Resources collected through such a tax would be devoted to sustainable, global human development, though they would also contribute to a fairer redistribution of wealth between the rich and the poor, between the north and the south. In the long term, the funds would also contribute to the stability of the international financial system. A first target for the funds could be achieving the MDGs by the deadline set.

The Doha meeting must amount to a firm, unequivocal start on the way to an international treaty, backed by internationally organised civil society (applying such a tax will continue to be an extremely complex matter, and one that only internationally organised civil society can and should keep in the limelight, which is where it must be) and fostered by a group of friendly States (which we are sure we will find, initially within the Leading Group) in conjunction with the United Nations (the Secretary General himself having invited us to join him, as we saw in the previous quotation), enabling this tax to be implemented, multilaterally and as quickly as possible.

After being collected at the country level by the Treaty's signatories, the funds would be passed on to the UNDP. Having them managed within the United Nations system would ensure the greatest possible degree of transparency and multilateralism, as well as ensuring respect for the sovereign right of the peoples concerned to decide on their own pathways to development. The application of the funds would be based solely and exclusively on development criteria and aims, giving priority to the development of the least advanced countries.

All this will also entail the necessary implementation of the recommendation made in the Report by the UNSG *Follow-up and implementation of the outcome of the International conference on Financing for Development* (Document A/62/217 of 10 August 2007)

*126. In line with the existing broad mandate for enhancing international cooperation in tax matters, including with development objectives in mind, the United Nations should broaden and intensify its tax cooperation work and play a greater practical role in dealing with tax matters, including emerging issues that are not presently addressed in other organizations. Under the aegis of the follow-up process on financing for development, it would thus seem pertinent to undertake discussions exploring the potential for expanding tax cooperation activities at the multilateral level, including its institutional dimensions.*

## 2. CTT: AN APPROACH TO THE PROPOSAL

### 2.1. THE FIGURES

This section looks at the figures and at possible mechanisms, in order to facilitate an understanding of the processes and their political implications. It is certainly not intended to be exhaustive or to reflect the exact details and evolution of the sources, the amount that may be collected, or the mechanism(s) that may eventually be applied to arrange the collection of the tax.

The global marketplace for currency transactions – the Foreign Exchange Market (Forex) – is the largest financial market in existence. In 2007, the average volume traded there amounted to **3.210 billion dollars a day**. This figure has been rising gradually since 1970, with a sharper rise over the last few years, as can be seen in this table (summary of the original figure on the next page):

*Table 1. Daily average turnover in the global currency-exchange market (trillions of US dollars)*

	1992	1995	1998	2001	2004	2007
Total turnover	880	1.150	1.650	1.420	1.970	3.210

Source: BIS (Bank of International Settlements), *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in 2007 – Final results*.<sup>1</sup>

It is estimated that only a very small share of the total movement of currencies generated in this market stems from productive capital (e.g. funds coming from payments made by companies in purchasing products from other countries). **Most of the trading involves speculative capital flows**, the only aim of which is to reap profits from anticipated differences in exchange rates. Hence nearly the entire profit generated in the financial market has no effect on the real economy (whether in terms of economic growth or, more particularly, sustainable human development). Rather, the profits stay in a market in which the interaction is for the most part between big capital cities and the group of agents we might refer to as the “winners in globalisation”.

Furthermore, while the currency market throws up huge profits that are then shared out among a small number of players, nearly 50% of humanity is still living below the poverty threshold of 2.15 USD PPP.

<sup>1</sup> Every three years, the *Bank of International Settlements* (BIS) coordinates a global survey among Central Banks on currency exchanges. The aim of the survey is to provide thorough information on events in that market – the BIS assists 55 Central Banks and other financial institutions in handling their currency reserves. For that reason, when referring to the currency exchange market, mention must also be made of the role played by the BIS, since it is the institution that decides the policies governing the Forex.

Global foreign exchange market turnover <sup>1</sup>						
Daily averages in April, in billions of US dollars						
	1992	1995	1998	2001	2004 <sup>2</sup>	2007
Spot transactions	394	494	568	387	631	1,005
Outright forwards	58	97	128	131	209	362
Up to 7 days	...	50	65	51	92	154
Over 7 days	...	46	62	80	116	208
Foreign exchange swaps	324	546	734	656	954	1,714
Up to 7 days	...	382	528	451	700	1,329
Over 7 days	...	162	202	204	252	382
Estimated gaps in reporting	44	53	60	26	106	129
Total "traditional" turnover	820	1,190	1,490	1,200	1,900	3,210
<i>Memo: Turnover at April 2007 exchange rates<sup>3</sup></i>	<i>880</i>	<i>1,150</i>	<i>1,650</i>	<i>1,420</i>	<i>1,970</i>	<i>3,210</i>

<sup>1</sup> Adjusted for local and cross-border double-counting. Due to incomplete maturity breakdown, components do not always sum to totals. <sup>2</sup> Data for 2004 have been revised. <sup>3</sup> Non-US dollar legs of foreign currency transactions were converted from current US dollar amounts into original currency amounts at average exchange rates for April of each survey year and then reconverted into US dollar amounts at average April 2007 exchange rates.

Table B.1

Source: BIS (Bank of International Settlements), *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in 2007 – Final results*. See the full report at [www.bis.org](http://www.bis.org)

**Table 2. The ODA required for the MDGs:**

<b>Table 17.3</b>	<b>Category</b>	<b>Estimated ODA in 2002</b>	<b>Projected for 2006</b>	<b>Projected for 2010</b>	<b>Projected for 2015</b>
<b>Estimated cost of meeting the Millennium Development Goals in all countries</b> 2003 US\$ billions — Not available. Note: Numbers in table may not sum to totals because of rounding. Refer to appendix 3 for more details. Source: 2002 data based on OECD/DAC 2004d. Projections for 2006–15 are authors' calculations.	<i>MDG support needs in low-income countries</i>				
	MDG financing gap	12	73	89	135
	Capacity building to achieve the MDGs	5	7	7	7
	Grants in support of heavy debt burden	—	7	6	1
	Debt relief	4	6	6	6
	Repayments of concessional loans	–5	0	0	0
	<b>Subtotal</b>	<b>15</b>	<b>94</b>	<b>108</b>	<b>149</b>
	<i>MDG support needs in middle-income countries</i>				
	Direct support to government	4	10	10	10
	Capacity building to achieve the MDGs	5	5	5	5
	Repayments of concessional loans	–6	–3	–4	–6
	<b>Subtotal</b>	<b>3</b>	<b>12</b>	<b>11</b>	<b>9</b>
	<i>MDG support needs at the international level</i>				
	Regional cooperation and infrastructure	2	3	7	11
	Funding for global research	1	5	7	7
Implementing the Rio Conventions	1	2	3	5	
Technical cooperation by international organizations	5	5	7	8	
<b>Subtotal</b>	<b>10</b>	<b>15</b>	<b>23</b>	<b>31</b>	
<b>Estimated cost of meeting the MDGs in all countries</b>	<b>28</b>	<b>121</b>	<b>143</b>	<b>189</b>	

Source: *Investing in Development*; Report for the Secretary General of the United Nations, by Jeffrey D. Sachs, Director of the United Nation's Millennium Project; January 2005. The table and the report can be found at [www.unmillenniumproject.org](http://www.unmillenniumproject.org)

According to the report produced by Jeffrey D. Sachs in response to a commission from the Secretary General of the United Nations in 2005, the cost of attaining the Millennium Development Goals in all countries would amount to 121 billion dollars in 2006 and 189 billion in 2015. Comparing those figures with the Official Development Assistance (ODA) figures for 2002 devoted to backing the Millennium Development Goals – 28 billion dollars (from a total of 65 billion dollars in total ODA) – clearly points to the existence of a deficit in the financing of the Goals in all countries, as shown in the table (see previous page).

Analysing two sharply contrasting situations (the existence of a very small number of people who benefit hugely from the globalisation of financial markets on the one hand, and the worsening basic living conditions experienced by nearly half the world's population) on the other, inexorably leads to an appreciation of the need for a compensatory mechanism. Finding a formula to enable this situation to be rectified through a much fairer redistribution of the world's wealth must emerge as a priority in any attempt to encourage development in impoverished countries.

In this context, **taxing currency-market movements, under the auspices of the United Nations, is the ideal mechanism for increasing the flow of capital devoted to development.**

Taking our political cue from the historic target of 0.7% for ODA, **we propose applying a tax of 0.007% on all currency transactions**, regardless of their nature or duration. Political symbols and slogans are necessary and appropriate too:

**0,7% ODA and 0,007% CTT**

Though such a small tax would be insignificant for the agents interacting in the currency market, it would nonetheless enable the funds needed to make progress towards the MDGs to be collected, as we will see now. Various different scenarios have to be portrayed in computing the funds that would stem from applying a tax of 0.007% on currency transactions, since it is not known with any precision how the activity in that market will behave.<sup>2</sup> **Growth scenario 1** assumes that daily currency exchanges will be rising slightly in comparison with present levels. **Growth scenario 2** assumes an intermediate increase in the volume of currency transactions, while **growth scenario 3** reflects how those transactions would increase if **current trends** continue (as shown in table 1). Once we know what the annual funds collected through the tax will be, we can compute the differential with respect to the cost of meeting the maximum total estimate for achieving the MDGs, i.e. that extra funds that would still be needed for financing those goals in full (see table in next page).

As can be seen, applying the tax in a context of growth scenarios 1 and 2 results in very significant revenues being collected, though still not enough to meet the cost of the MDGs in full. However, it must be borne in mind that the shortfall in the budget is to be covered by the ODA, which countries must not cut off under any circumstances. Our

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<sup>2</sup> However, we have opted for portraying growth scenarios in line with the mostly upward trend since 1992.

	<b>Current scenario</b>	<b>Growth 1</b>	<b>Growth 2</b>	<b>Growth (current trends) 3</b>
<b>Daily currency flows</b>	3,210	4,500	6,000	8,000
<b>Tax revenues per day (at a rate of 0.007%)</b>	0.225	0.315	0.420	0.560
<b>Annual tax revenues</b>	<b>43.277</b>	<b>83.160</b>	<b>110.880</b>	<b>147.840</b>
<b>Cost of meeting the MDGs</b>	189	189	189	189
<b>Differential</b>	<b>-145.723</b>	<b>-105.840</b>	<b>-78.120</b>	<b>-41.160</b>

growth scenario 3, on the other hand, not only results in sufficient revenues for meeting the MDGs, it actually generates more money than the necessary. Thus in the event of the tax being applied on a market of that size, the money collected could be applied to going beyond the MDGs, or it could even be added to the general budget of the United Nations or some other initiative enabling the independent functioning of the multilateral system to be reinforced.

## **2.2. ON A POSSIBLE MECHANISM FOR APPLYING THE TAX**

The tax we propose is to be applied to the currency market, which as we have noted is the largest financial market in existence. In contrast with what would happen in other markets, taxing the Forex would generate large revenues without causing distortions, in view of the low rate of the tax (0.007%) and the vast amount of money traded every day in that market. Moreover, thanks to the technological nature of the currency market, this tax could be established relatively easily.

The tax is one that is charged on a country's currency when it is exchanged anywhere in the world. In this way, the repositioning of agents trading on the Forex is avoided (or reduced), since if the tax is applied to a currency solely in a country's national currency market, transactions involving that currency would be arranged from another State, thus avoiding the tax.

However, if a government decided to apply the CTT on its own, there would be a risk that the agents trading on the Forex would stop trading in the currency concerned or, if that were not possible, reduce their transactions in the currency. For that reason, a CTT requires the existence of some degree of consensus among States, since any unilateral adoption could have negative consequences on a CTT country's economy. Moreover, a joint initiative involving several governments would generate an impact that could spread to the entire currency-exchange market. The US, for example, is one of the countries that is most firmly against discussing the possibility of adopting a CCT. However, if the currencies of other States were taxed, the dollars that the US would not tax (in the worst case scenario, of course!) would end up being traded for currencies that were taxed, and so most of the transactions in dollars would be easily 'captured'. Global consensus is thus not necessary, since by applying the tax to a number of strong currencies (e.g. Yen, Swiss Franc, Euro...), it would also extend to other untaxed currencies.

Championing the adoption of a tax on currency transactions arranged in the Forex is part of a broader aim to introduce regulatory mechanisms in a sector that is thoroughly dominated by private actors. In proposing a CTT, it is important to give States a priority role, both in enacting legislation for the tax and in managing the collection of its revenues. The Central Banks must retain a core role in the entire process, implementing the involvement of their governments and those governments' wishes to redistribute the revenues generated in a market in which they have so far played little part.

Having a Central Bank involved in applying the CTT is an assurance of success, because the banks that operate in a particular country cannot go against the desires of that country's Central Bank, since the benefits they get through participation in operations far exceed the costs of applying the CTT.

### **3. THE POLITICAL PROPOSAL FOR MULTILATERALLY CREATING THE TAX IN THE CONTEXT OF THE DOHA REVIEW CONFERENCE**

#### **3.1. FROM THE APPROVAL OF AN INTERNATIONAL POLITICAL AGREEMENT IN DOHA 2008 TO THE INTERNATIONAL TREATY OF 2009: A POSSIBLE STRATEGY AND OUTLINE OF THE WORK PLAN**

Despite its complexity, the predicament to be faced (the indispensable collection of new, predictable and sustainable financial resources for development – initially for achieving the MDGs) is urgent, and the issue is politically ripe, as we can see merely from the profusion of actors – including State actors – that have worked and are still working on it, and from the above-mentioned note I.6 from the General Secretary of the United Nations in March 2008. We can thus glimpse – and demand – a path combining the solidity of the process and its result with the greatest speed possible.

In view of all the considerations set out in this document, we believe that the right way to arrange the worldwide implementation of the CTT would be an International Treaty under the auspices of the United Nations: an *International Treaty Implementing a Tax on Currency Transactions*. The idea is to use the momentum (the time is ripe!) generated by the 2008 Doha Review Conference to secure to such a treaty as quickly as possible. The agreement should materialise in Qatar in the form of approving an International Political Agreement for implementing a CTT. That would smooth the path towards the treaty, which would come into effect in late 2009 – a time-scale we see as fundamental.

The run-up to Doha would serve to build the fundamental political alliances for clearing the way for the International Political Agreement: the coalition of international civil-society organisations that have championed the issue, the group of sympathetic States etc. Drafting the International Political Agreement to be approved in Doha would be the prelude to the Treaty.

The Special High-Level Meeting of the ECOSOC coming in 14 April (and it will also be

followed on 15 and 16 April by the General Assembly's review meeting on the matter of the Monterrey Consensus) could be the right point to launch the process. The Dakar meeting of the Leading Group on Solidarity Levies to Fund Development on 22 and 23 April could serve as the first multiactor working meeting to get the work under way.

Later on, the Hearings with civil society and the private sector on 18 June of the preparatory process towards the Doha 2008 and the meeting of the ECOSOC Development Cooperation Forum early in July might prove to be key intermediate points for reviewing the strategy and the degree of consensus achieved.

### **3.2. ON DEVOTING THE TAX REVENUES COLLECTED IN THE FIRST PERIOD OF CTT APPLICATION TO MULTILATERAL FUNDS FOR ACHIEVING THE MDGS**

70% of total ODA is bilateral. Thus little contribution is made to multilateral harmonisation in achieving the most urgent goals for the development of a country. And usually little contribution is also made to the development of the least advanced countries.

Development cooperation needs a boost in its financing, and a multilateral outlook in which the relationship between donors and recipients goes by way of the most appropriate, independent and efficient interface: the United Nations.

It is easy to find targets for development financing on the international agenda, e.g. aid to commerce for development, and aid in adapting to climate change. In this context, we believe that it is very important to make the ultimate aims sought very clear, so as to boost the international consensus on implementing the CTT, at least in the first stage of its implementation. And in that context, we believe that attaining the MDGs by 2015 meets all the requirements.

Hence the importance of another aspect of our proposed multilateral implementation: the revenues collected – by the States acting through their Central Banks – must go to funds that are administered multilaterally rather than serving only to boost bilateral aid, with all the constraints such aid entails. The initial option we are suggesting is the UNDP taking responsibility for managing the funds collected through the CTT.

## **4. THE TIME IS RIPE! INTERNATIONAL CIVIL SOCIETY MUST ORGANISE AN INITIATIVE OF INITIATIVES CULMINATING AT DOHA 2008 IN AN INTERNATIONAL POLITICAL AGREEMENT FOR IMPLEMENTING THE CTT BEING APPROVED!**

### **4.1. THE TIME IS RIPE!**

We've said so before! And we've reasoned it! The time is ripe! All the more so if, as always, internationally organised civil society generates the indispensable political pressure and puts the proposals needed for implementation on the agenda. Yet now perhaps it is looking simpler than ever: that ways of redistributing wealth worldwide

are needed is something that has been a generally accepted as a political idea ever since globalisation burst onto the world economic and political arena back in the mid 1990s. What is known as the Tobin Tax emerged almost in parallel, and since then, various proposals – complementary ones – have been put forward and presented at many levels.

This document, which cannot be exhaustive, will now be concluded with mentioning and explicitly recognising a number of initiatives we would like to see working together to achieve our shared objective.

## **4.2. SOME OF THE INITIATIVES**

### **4.2.1. HALIFAX**

The HALIFAX initiative (taking its name from the Canadian city in which it emerged) was founded in 1994 and now comprises 24 Canadian NGOs. Apart from its own website ([www.halifaxinitiative.org](http://www.halifaxinitiative.org)), there is an excellent site devoted specifically to the CTT – a full-blown library covering the initiatives and projects that have been pursued over the years on this issue:

<http://www.currencytask.org/>

### **4.2.2. ATTAC**

If any movement can claim to have got everyone talking about this issue, it must be ATTAC. In 1998 in its *Plateforme du mouvement international* ATTAC explicitly stated its position “for a democratic control of financial markets and its institutions”. See:

<http://www.attac.org/spip.php?article1&lang=en>

### **4.2.3. NIGD**

The *Network Institute for Global Democratization (NIGD)* worked on a *Campaign on Currency Transactions Tax (CTT)*, within which a book was produced that can be regarded as a “starting-point for discussions on democratic control, tax justice, financial stability, development funding and global common goods”. The book in question is

***Draft Treaty on Global Currency Transactions Tax***, by Heikki Patomäki & Lieven A. Denys

That consultative document was first presented at the World Social Forum in January 2002. See:

<http://www.nigd.org/ctt>

### **4.2.4. CIDSE**

Particularly noteworthy in the work of CIDSE (*Coopération Internationale pour le Développement et la Solidarité*) is the document:

***Redistribution through Innovative Measures: A Currency Transactions Tax***

It is a standpoint document of CIDSE, dating from October 2004, and it can be found at: [http://www.cidse.org/docs/200411250951166236.pdf?&username=guest@cidse.org&password=9999&workgroup=&pub\\_niv=&lang=fr&username=guest@cidse.org&password=9999](http://www.cidse.org/docs/200411250951166236.pdf?&username=guest@cidse.org&password=9999&workgroup=&pub_niv=&lang=fr&username=guest@cidse.org&password=9999)

### **4.2.5. STAMP OUT POVERTY**

This coalition of UK NGOs is another focal point in the CTT issue. Specifically, the document commissioned by the Norwegian Ministry of Foreign Affairs in preparation for

the Third Plenary Meeting of the Leading Group on Solidarity Levies to Fund Development (Oslo, February 2007):

***Taking the Next Step: Implementing a Currency Transaction Development Levy***, by David Hillman, Sony Kapoor & Stephen Spratt.

The document can be found at:

<http://www.stampoutpoverty.org/?lid=10551>

#### **4.2.6. NORTH-SOUTH INSTITUTE & SOCIAL WATCH**

The Canadian North-South Institute is a member of the Halifax initiative and of Social Watch. A research paper by Rodney Schmidt is regarded as one of the most significant in terms of appraising the likely effects on the market of applying a CTT. It can be found at:

<http://www.nsi-ins.ca/english/pdf/CTT%2orevenue.pdf>

Likewise, John Foster's article *Beyond consultation: innovative sources* for Social Watch is one of the most up-to-date reflections on where we are now with this issue:

<http://www.socialwatch.org/en/informesTematicos/108.html>





