

**European Currency Transaction Tax Network
Strategy Meeting
Cologne, 1st and 2nd of March 2005**

Minutes
(Max Arlt)

Participants:

Ahlgren, Malin (ATTAC Sweden); Arlt, Max (WEED Germany); Bart, Bode (Broederlijk Delen Belgium); Collignon, Fabrice (ATTAC Belgium); Cossart, Jacques (ATTAC France); Denys, Lieven (Free University Brussels); Filabozzi, Alessandra (ATTAC Italy); Hillman, David (TTN UK); Kapoor, Sony (TTN UK); Manzanares, Ernesto (ATTAC Spain); Oosterlynck, Stijn (ATTAC Belgium); Rotzen, Johan (ATTAC Sweden); Ventura, Christophe (ATTAC France); Wahl, Peter (WEED Germany).

Agenda:

Day 1: Tuesday, 1 March

1. Introduction by Peter Wahl
2. Round-up from Each Country Campaign of Their Particular Situations
3. Setting the International Context
 - 3.1. Presentation by Jacques Cossart: from Geneva to Davos
 - 3.2. Discussion on *global taxes* versus *international co-operation on taxes*
 - 3.3. The CTT as one initiative among others
4. CTT Policy Discussion
 - 4.1. The two-tier tax: Tobin or Spahn, including the issue of the name *Tobin*
 - 4.2. The rate of the CTT
 - 4.3. Institutions: How is the CTT technically levied and disbursed?
 - 4.4. Unilateral implementation of the CTT in the EU
5. Summary
6. Short Planning Session for Day 2

Day 2: Wednesday, 2 March

1. Calendar/Occasions
2. Lobbying Activities
3. Networking
4. Communication
5. Workplan (Devison of Labour)

Day 1:

1. Introduction by Peter Wahl

- There is new political momentum for the currency transaction tax (CTT) against the background of the need to finance the Millennium Development Goals (MDGs), the chronicle crisis of budgets in almost all industrialised countries, and the insight that globalisation needs to be regulated. The politicians concentrate on the income aspects of the tax. They need resources in order to keep their promises

about the achievement of the MDGs. We have to use this window of opportunity and become proactive.

- Purpose of the meeting:

(i) clarify open and basic questions on the CTT

(ii) strategy for future actions

(iii) practical questions

2. Round-up from Each Country on Their Particular Situations

Belgium:

- The minister of finance has been instructed by the parliament to speak for the implementation of the CTT in the EU (ECOFIN).

- The Belgian law proposal for the implementation of the CTT in the EU has been given to the European Central Bank (ECB). The ECB has given a negative answer to that proposal. At the same time it denies to justify its point of view in front of the Belgian parliament. Nevertheless, the ECB is willing to hold informal meetings on the question.

Italy:

- There are different law proposals for an implementation of the CTT under discussion.

- Parliamentary auditions with Lieven Denys, Sony Kapoor and Heikki Patomäki will be held in the near future.

- There is a window of opportunity now, because a law proposal is going to be made until July.

United Kingdom:

- The opportunity to push the issue of the CTT is big now. This is partly due to politician's promises in advance of the coming leadership in the G8 and the EU presidency, as well as Gordon Brown's plans for an International Finance Facility (IFF).

- The "Tobin Tax Network" (TTN) has more resources and support than ever before.

- The finance community has understood, that a low rate CTT would not have negative effects on liquidity or on the economy in general.

Sweden:

- The minister for foreign aid agreed on the idea of the CTT on an ATTAC-assembly

- No resources for the organisation are given to ATTAC-Sweden by the government anymore.

France:

- ATTAC-France had a strong influence on the "Landau Report"

- Pressure has been put on president Jacques Chirac successfully. He proposed the implementation of the CTT in the EU at the World Economic Forum (WEF) in Davos.

- There is a new strong media interest in ATTAC.

Germany:

- There was a strong interest in the CTT in 2001/02. The parliamentary commission on globalisation acknowledged the feasibility of the CTT in the EU and proposed its implementation.
- After 2002 there has hardly been any discussion on the topic, until Chirac and chancellor Gerhard Schröder mentioned it at the WEF this year. Nevertheless, the government is reluctant to the CTT and favours a tax on kerosene. But the question of international taxation remains on the agenda.
- A parliamentary audition with Lieven Denys and a representative from the neoliberal "Institut für Weltwirtschaft" will be held on the topic on 16 March.
- In the civil society, the interest for the CTT is growing. The development NGOs adopted the idea, but concentrate on the income side of the tax.
- WEED is planning a publication on global taxes in May (in the run-up of the G 8-meeting) and an international expert meeting on taxation.

Spain:

- A law proposal for the implementation of the CTT, which is similar to the Belgian law proposal, failed to pass the parliament.
- A parliamentary commission on development is working on a report on the implementation of the CTT for financing development purposes.

USA (reported by Sony Kapoor):

- The US government is strictly against the idea of the CTT.
- Parts of the civil society are taking up the topic of the CTT. Sony has been invited to speak on different occasions in business schools.

3. Setting the International Context

3.1. Introduction by Jacques Cossart: from Geneva to Davos

- International taxation is a historically new paradigm. It is a logical consequence of globalisation.
- The CTT will require the establishment of structures of global governance.
- The CTT is a tool for global redistribution in favour of the losers of globalisation.
- France supports the implementation of the CTT in the EU, while the UK favours the creation of the IFF. Will there be a mutual support?
- What to do with the political momentum that is there?

3.2. Discussion on *global taxes* versus *international co-operation on taxes*

- Arguments against the use of the term *global taxes* have been put forward. There is a strong opposition against global taxes from different important actors. For strategic reasons, it is better to refer to the CTT in the context of *international co-operation on taxes*, because the CTT can be collected at the national level, respectively at union level within Europe. The decision makers, who are searching for means to keep their promises concerning development aid, might be easily attracted by the idea of raising money from new resources.
- On the other hand, the purpose of the CTT is not only to raise money for

development. It has a political, regulatory dimension. Its purpose is also to regain control over financial markets and give globalisation another direction. Thus, the reference to the global level is important. Furthermore, the existence of tax havens in the EU puts the efficiency of international co-operation on taxes at question.

- The dilemma between the strategic considerations on the disadvantages of the term *global taxes* on the one hand, and the importance of a reference to the global objectives of the CTT on the other hand, can be overcome by a clear distinction between the collection of the tax at national or EU level and a global usage of the revenues. However, the term *global tax* should also be avoided, when it comes to the redistribution of the tax revenues. It implies that the tax has to be implemented by all states and that it would require global tax authorities to administer it. These goals are not likely to be reached in the near future. As the CTT does not need to be implemented globally in order to be effective, it is better to refer to it as an *international tax* for strategic reasons. Nevertheless, some multilateral mechanism would be needed in order to avoid a misuse of the revenues, for example for arms purchases.

3.3. The CTT as one initiative among others

- The CTT is often mentioned as one initiative among a number of other potential financing initiatives, like a tax on kerosene or the taxation of profits of transnational corporations for example. The different possible international taxes do not mutually exclude each other. They all have certain advantages, but the CTT has even more advantages than the other international taxes. It is not a mass tax, like most of the other taxes under discussion are, at least in the industrialised countries. It taxes the benefits from globalisation in order to redistribute them. We should point out this superiority.

- In the need for new resources for development, many European politicians are in favour of the IFF and some international taxes to refinance it. Therefore, it might be a strategic advantage, if the CTT gets pulled into the IFF-discussion. Nevertheless, we cannot accept the IFF, as long as it is connected to the structural adjustment programmes dictated by the donors.

- The conjuncture of the discussion on financing development is partly due to the fact that the governments failed to finance the MDGs by now. This can also be turned into an advantage for us to advocate the CTT. However, we cannot identify ourselves fully with the MDGs, because they don't go far enough and still have too much neoliberal ideology built in.

- The revenue of the CTT must be an additional source to finance development. It must not be misused to reach the 0.7% of the GDP for official development aid (ODA).

4. CTT Policy Discussion

4.1. The two-tier tax: Tobin or Spahn, including the issue of the name *Tobin*

- It has been agreed to promote the two-tier CTT, as basically elaborated by Paul Bernd Spahn (2002). As some other supporters of the CTT promote the old proposal by James Tobin (1978), in order to avoid the need to co-operate with the ECB, our decision has to be justified. First of all, the two-tier tax makes the complementary achievement of the three purposes of the CTT possible: the regulatory function, the fund-raising and the strengthening of political activities versus market

forces. Furthermore, the arguments of opponents of the CTT often refer to the old proposal by Tobin and don't apply to the two-tier tax.

- The two-tier tax would have different effects on different kinds of countries. For the OECD countries, the first tier would be the most interesting, because it opens new possibilities to raise money for financing development. As their currencies are rarely under pressure from massive speculations, the second tier would not be as important for this group of countries. Middle income countries are much more often endangered by speculative attacks on their currencies. Therefore, the stabilising function of the second tier would be particularly interesting for these countries. Low income countries usually do not have a lot of currency exchanges. For these countries the fund-raising function of the CTT would be the most interesting, as they need financial resources for development. Lobbying activities should take these differences into account.

- There are different opinions on the use of the name *Tobin*. It has different connotations in the different countries. In certain situations, the name can be used to mobilize for the CTT. In other contexts it has rather negative connotations. It has been agreed that any language should be used that fits the given context.

4.2. The rate of the CTT

- There are different opinions about what rate the first tier of the proposed CTT should have. However, nobody can say what the best rate would be, because the market reactions cannot be predicted.

- For strategic reasons, it is important to promote a certain rate in a concerted action. Therefore, it has been agreed to promote a rate in the range of one basis point (0,01%) for the first tier of the CTT. The low rate guarantees that market distortions are avoided. Later the rate can be adjusted to the market reactions.

4.3. Institutions: How is the CTT technically levied and disbursed?

- It has been agreed that the revenues of the CTT should be collected at the national or EU level and through the mechanisms of the Continuous Link Settlement Bank (CLSB).

- The Belgian law proposal offers a good mechanism to avoid double taxation by a clear order of priorities.

- It has been agreed that the disbursement of the tax revenues should be organized multilaterally. The UN itself is a difficult institution in this context. Single governments, which are against the CTT, can block any progress by their vote. As the CTT does not need to be implemented globally, this is a hurdle which does not necessarily have to be taken and which can be avoided. Furthermore, it is not clear whether its charter has to be changed in order to make the disbursement of the tax revenues through the UN possible. Elaborated studies on this issue are needed. The question remains, whether it would not be easier to create a new multilateral body under the aegis of the UN to organise the disbursement of the CTT revenues. The multilateral institution for the taxation of the use of the sea-bed, a global common good, might serve as an example.

4.4. Unilateral implementation of the CTT in the EU

- An unilateral implementation of the CTT is feasible. As the global implementation of the tax does not seem likely at the moment, we promote the unilateral implementation of the CTT in the EU. Nevertheless, the global implementation of the tax remains our goal.
- The proposed CTT regime would even be effective, if the US dollar, the most important currency in the global financial system, was not covered by the tax. Most currency transactions involve the US dollar, the British pound, the euro, or the Japanese yen. If the euro and the British pound were covered by the CTT regime, all currency transactions involving these currencies would be taxed, including transactions with the US dollar. Furthermore, higher costs for transactions involving currencies outside the CTT regime could serve as a strong incentive to join it. But a differentiation between currencies could be legally questioned. Opponents of the CTT could argue that it collides with the non-discrimination principle of the World Trade Organisation (WTO). In any case, this point needs to be further discussed.

Day 2:

1. Calendar/Occasions

- 22/23 March: EU heads of state meeting
- 16/17 April: spring meeting of the IMF/World Bank and the G7 finance ministers
- 6-8 June: G7 ministers of finance meeting
- 2 July: G8 demonstration in Scotland
- 6-8 July: G 8
- 14-16 September: UN-MDG summit
- 26-27 September: IMF/World bank annual meeting
- 13-18 December: WTO summit in Hong Kong

2. Lobbying Activities

EU:

- Lobbying activities at EU level should be directed at the decision makers in the commission and at the members of the European parliament (MEPs), who can create a certain climate. Therefore, two kinds of documents have to be prepared: A detailed technical paper is needed for the administration officials from the commission. For the MEPs, a shorter and less technical paper is needed.
- Each country campaign should lobby their national MEPs and investigate on the chances of an election of the CTT in the European parliament.
- It has been proposed to try to get the MEPs to hold an audition on the topic of the CTT and the feasibility of its unilateral implementation in the EU in advance of the G7 finance ministers meeting.
- If MEPs decide to promote other international taxes rather than the CTT, we should still support them, while at the same time pointing out that the CTT has even more advantages than the other international taxes under discussion. Here a one page comparison of the different possible taxes would be handy.
- At the meeting of the EU heads of state in March, the Belgian government

has to put the issue of the CTT on the agenda. We should try to put this point in the context of a broader discussion on international taxation in general and thereby support the building of a broader coalition, possibly including France, Germany and the UK.

UN:

- For the MDG summit an expert meeting on international taxation will be organised by WEED.
- Lobbying activities at UN level should also be directed towards UNCTAD. Therefore, a lobbying letter proposing the CTT should be prepared.

G8:

- The demonstration in the surrounding of the G8 summit offers opportunities for media work.
- If there is an alternative conference, we should try to put the issue of the CTT on the agenda.

Specific governments:

- Special lobbying efforts should be made towards certain governments, especially the Spanish, where they might be particularly decisive at the moment.
- In Spain, ATTAC has contacts to different government officials. These contacts should be used to organise a meeting with an expert group of CTT-supporters in advance of the G8 summit.

Media:

- A common press statement of the network is needed.

3. Networking

- A common declaration of the network has been discussed and got under way. It will be made available in the following weeks. Other potential CTT supporters should be informed about the progress of our network. Every member of the network is asked to pass the declaration and these minutes, as well as the short version, to all its relevant contacts.
- Contacts to CONCORDE, an umbrella organisation for European NGOs, should be made.
- An input of addresses from potential supporters from the USA and the countries of the South is needed.
- The TTN organises an international conference on the CTT in November in London. Prominent guests will be Spahn and Rodney Schmidt.

4. Communication

Name of the network:

- It has been agreed to rename the network into *European Currency Transaction Tax Network*. The abbreviation could be ECN.

Common structure:

- Even though it would have some advantages in terms of lobbying and coordination, a common office of the network in Brussels was not considered to make sense. Given the diversity of the network, at this point such an office would lead to too much centralisation. Furthermore, the costs would be much higher than the benefits. Our resources should rather be used in a decentralised way.

Website:

- It has been agreed to make a website of the network, which would be complementary to the existing website made by Mikael Book. Among other things, this website should contain the declaration of the network, the terms of references, the possibility to upload different resources and a link to the website from Mikael.

Teleconferences:

- The teleconferences have proved to be an important means of communication for the coordination of small groups up to five participants. David Hillman has agreed to investigate on the possibilities for cheap teleconferences.

Next Meeting:

- The next meeting of the network will take place in Brussels.
- If there will be an audition of the European parliament on the CTT in advance of the G8 finance ministers meeting in June, the next meeting of the network will take place one day after that audition. In other cases, the next meeting will be in the week commencing on 6 June, after the G7 finance ministers meeting.

5. Workplan (Division of Labour)

- Each campaign group should contact their national finance ministers in advance of the G7 finance ministers meeting.
- Expert delegation to Spain: Jacques Cossart, Lieven Denys, Sony Kapoor
- Lobbying members of the EU-Commission, in particular the commissioner for finance: Jacques Cossart, Lieven Denys
- Short briefing paper for MEPs: David Hillman, Peter Wahl
- Detailed technical briefing paper for the EU Commission: Sony Kapoor
- One page comparison of different possible international taxes for publication: Sony Kapoor
- Suggestions for a new website: Fabrice Collignon, David Hillman
- Contacts with Anne de Lancken from the Globalisation Intergroup of the European parliament: Stijn Oosterlynck
- Second draft of the declaration of the network: David Hillman, Peter Wahl
- Preparation of the next meeting: ATTAC Belgium