

**Joint Statement Following Issuance of Communiqué from G20 April 2, 2009
Issued By: Center for Corporate Policy, Christian Aid, Global Financial Integrity,
Global Witness, Government Accountability Project, Maryknoll Office for Global
Concerns, New Rules for Global Finance Coalition, Oxfam America,
Tax Justice Network USA**

"Now this is not the end. It is not even the beginning of the end. But it is, perhaps,
the end of the beginning."

Winston Churchill
November 10, 1942

The communiqué following the G20 meeting on April 2, 2009, lays out a substantive plan for addressing the global financial crisis. It notes that some \$5 trillion is being devoted to fiscal expansion. IMF resources will be increased to \$750 billion. The heads and senior leadership of the international financial institutions will in the future be "appointed through an open, transparent, and merit-based selection process." A strengthened Financial Stability Board will oversee regulation and oversight of "systemically important financial institutions, instruments and markets." These and more are welcomed outcomes of the G20 process to date.

We note favorably the declaration by G20 leaders that "the era of banking secrecy is over." We also note, however, that the existing "international standard for exchange of tax information" is reaffirmed. The current standard is weak, requiring only responsiveness from authorities in one jurisdiction to authorities in another jurisdiction for information based on a thoroughly documented case of the need for such information. In addition, the bilateral nature of the proposed treaties means that developing countries do not have the power to negotiate favorable treaties or impose significant sanctions for non-cooperation.

We note with concern that every element of the global shadow financial system remains intact. Comprising tax havens, secrecy jurisdictions, disguised corporations, anonymous trust accounts, fake foundations, trade mispricing techniques, and money laundering mechanisms, this structure moves cumulatively trillions of dollars across borders.

The shadow financial system is a major contributor to the current financial crisis and, by facilitating illicit financial flows, is a major obstacle to poverty alleviation efforts and sustainable growth in developing countries where 80 percent of the world's population lives. According to some estimates, perhaps half of global trade and capital passes through the shadow financial system somewhere between origin and completion. At least \$6.2 trillion of developing country wealth is held offshore by individuals alone, depriving developing countries of annual tax receipts of between \$64-124bn. The scale of the losses could outweigh the \$103bn developing countries receive annually in overseas aid.

We further note with concern that reforms included in the communiqué and addressed to international financial institutions (IFIs) do not require the revision of these institutions' positions on capital controls or their reluctance to address the issues of tax avoidance and illicit capital flows. The imposition of policies liberalizing capital controls in developing countries by the IFIs has facilitated the development of the shadow financial system and such policies should be amended.

The unfinished business of the G20 revolves around the issue of transparency. Regulation *within the shadow financial system* will not be effective. Transparency is a necessary first step to *curtail the shadow financial system*. Transparency means:

- **Automatic exchange of information between tax and governmental authorities** on income, gains and property received by non-resident individuals, corporations, and trusts, be made mandatory;
- **Country-by-country reporting** of sales profits and tax paid by multinational corporations is required in audited annual reports and tax returns;

- **Beneficial ownership** [the true owner], control and accounts of companies, trusts and foundations be readily available on public record to facilitate due diligence;
- Systems be put in place to **curtail the practice of mispricing trade**;
- **Predicate offenses** for a money laundering charge be harmonized and codified.
- **Systematic and transparent procedures** at the IFIs for the referral of evidence of fraud or corruption to the national authorities of the member states.

A key goal of the G-20 process is to “prevent a crisis like this from reoccurring in the future.” It is transparency in the global financial system that is needed to ensure sustainable globalization and create an open world economy.

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