

Press Release

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Reaction of Bread for the World and WEED to the St. Petersburg Tax Agreement

In St. Petersburg the G20 Leaders and Heads of State endorsed the development of a new global tax standard to automatic exchange of information by mid-2014. Bread for the World and WEED welcome the G20 Leaders' decision as well as their commitment to address tax base erosion resulting from profit shifting and transfer pricing. "We are looking forward to see robust recommendations in the coming 24 months for the establishment of 'fair, transparent and efficient tax systems' " says Markus Henn, policy officer on financial markets at WEED.

However, although the OECD Action Plan on corporate tax avoidance contains positive elements, it still remains too weak in the concrete actions and often only aims at further investigation. "For developing countries, it would be particularly important that the resident export and commodity subsidiary companies of industrialized countries are taxed sufficiently. Companies have to be taxed where they are really active," says Henn. "Country-by-country reporting for companies is still missing in the G20 Tax Annex to the Declaration." The G20 led efforts have to ensure that 'developing countries reap the benefits of the G20 tax agenda' and in fact 'improve domestic resource mobilization'.

"Much more action is need to develop a robust framework for regulation of the global financial system to reduce financial stability risks so that it better serves the real economy", says Eva Hanfstaengl, policy officer for financial markets at Bread for the World. "Bail outs for banks should no longer occur at the expense of the population, as was the case in the financial crisis."

Still in its infancy is G20 regulation of shadow banks. "The fact that this area is still almost unregulated shows the weakness of global financial market regulation," says Henn.

The G20 still does not deal with an orderly mechanism for states' debt relief. "There should be a working group of the United Nations together with the G20 to address this issue. A fair, effective and transparent method is needed to get states out of the debt trap", says Aldo Caliari, Director of the Rethinking Bretton Woods Project at the Center of Concern.

The G20 wants to strengthen the financial markets, including through public-private partnerships and long-term investments. These models often channel profits to companies, but the government pays when it goes wrong. "Often, there is also no free, prior and informed consent of the affected population. We have to monitor if these private investments are really promoting economic and social development for all", says Eva Hanfstaengl from Bread for the World.

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Position paper: C20 Working Group on Financial Architecture, Market Regulation and Sovereign Debt:

http://info.brot-fuer-die-welt.de/sites/default/files/blog-downloads/c20_fin_architecture_position_paper.pdf