

WORKSHOP 3 : TAXES ON FINANCIAL TRANSACTIONS

- For over twenty years, the international community has been discussing a possible tax to be levied on foreign exchange transactions (the so-called Tobin tax) as a means of combating speculation and market volatility. The Tobin tax rate is relatively high, since it is designed to slow down or “throw sand in the wheels” of financial markets. While such a tax might eliminate speculation, it would also reduce market activity, thereby lowering in turn the taxable base and revenue generated.
- The group set up by French President Chirac and the “Lula group” of six countries offer a very different perspective:
 - The name Tobin does not appear anywhere in either of the two documents (the French report and that of the six countries), published in summer, 2004.
 - The tax’s sole purpose is to raise funds for development.
 - For this reason, the rate is very low, unlike that of the Tobin tax, so as not to slow or disturb the markets and to maintain a broad taxable base.
 - The reports show that such a tax is technically possible, that it would be effective economically, and that it could generate between 10 and 15 billion dollars worldwide per annum.
- Discussions subsequently focussed on one key issue: should approval from all the major countries (home to the chief financial markets) be secured before implementing such a tax (which may take some time...) or could the tax be introduced on a national or regional scale, involving a limited number of countries? This will be the main issue for discussion at the Round Table on this topic. The reports took the conservative approach and recommended waiting for worldwide consensus. In-depth technical research, undertaken in particular under the aegis of British NGOs, then shows the feasibility of applying a tax only to London’s financial market; reports will be presented at the Round Table.
- Another issue to be raised concerns tax avoidance and money laundering that utilises off-shore centres. The suggestion of taxing non-cooperative countries (as part of the struggle against laundering) arises periodically. Such an idea has yet to be fully explored on a technical level. This issue will also be discussed at the Round Table.
- What to expect from the Conference?
 - The question of taxing foreign exchange transactions is a highly controversial one. The two reports have given it renewed, unanimously recognised credibility. But the political debate is still very lively.
 - The aim, today, is to enable the debate to continue and to develop at a technical level, without subscribing to any particular ideology. This is the best way forward. Acclaimed experts (including a senior official

from the International Monetary Fund) will be present at the Round Table.

- There is still some confusion, for many observers and policy-makers, between the old idea of the Tobin tax and this new proposal, as presented in the reports. The discussions should enable progress in this respect.
- Similarly, the discussions will enable an exploration of different means of levying the tax and their technical feasibility, in light of latest insights into the workings of foreign exchange markets.
- The next step will be the upcoming Conference organised by Brazil (in the next few months) on tax avoidance issues and international capital flows.
- This topic is now firmly established on the agenda of international debates.