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# Boiling Point to Turning Point

## The 8<sup>th</sup> Financial Transparency Coalition Conference

April 1-2, 2020 | Bangkok, Thailand

### Background

Major institutions and states are actively acknowledging that illicit financial flows (IFFs) are undermining the potential to achieve the Sustainable Development Goals (SDGs) and meeting human rights obligations.

The damage that IFFs are causing to the economic prospects of states is well established. There have been significant, albeit still insufficient, steps to tackle this. However, progress in understanding and confronting their retrogressive impact on social justice, rights and inequalities is less evident. Due to the continuing growth of IFFs and the limited fiscal capacities of developing countries, they confront choices such as to adopt austerity measures and policies that violate rights and inhibit development.

There is an inherited geopolitical imbalance in how norms and rules on financial transparency and international tax are shaped by a handful of Northern-dominated, economic governance bodies such as IMF, OECD, FATF, the Financial Stability Board and others. It is the smaller and least developed countries that remain particularly under-represented or inadequately resourced to represent themselves successfully at various international platforms. With the emerging challenges of taxing the digital economy, developing countries have found alternative grounds of support to challenge proposals put forth by the OECD. More importantly, where unilateral and uncoordinated actions by countries can make matters worse, hardened negotiation stances of the Global North have come at the expense of others.

One example of this imbalance is the lack of international consensus in how IFFs are defined. Evident in the framing challenges faced by internationally adopted processes such as the SDG and Financing for Development agenda, including on issues of trade mis-invoicing, tax avoidance which remain dominated by the priorities of Northern countries. There is a need to frame the issue of IFFs from a rights-based perspective to reflect the distinct but shifting and differentiated realities of Global South.

2020 will see the convergence of political and multilateral processes to help curtail IFFs. Despite efforts to update the global financial architecture, tax policies and the definition of IFFs, responses remain piecemeal and contradictory, often dependent upon the geopolitical spaces countries participate in. The negotiations remain biased to those with most to gain from the status quo. As states face a growing legitimacy and political crisis, citizens' rights are frustrated, in the Global South above all.

However, it is not simply a battle between the interests of the Global South and the Global North. The flagbearers of the international 'progressive agenda' also deserve scrutiny for their policy choices in their respective regional and national contexts. In fact, global financial secrecy has found new avenues for IFFs in the Global South by establishing international financial centres to capture inter-regional capital flows, a prominent phenomenon across Asia.

How can the institutions charged with supporting multilateral and cooperative efforts plausibly hope to reform a system that is under the increasing strain of its own contradictions? How can an SDG and human rights lens contribute in understanding the dynamics of IFFs better?

A consensus is over-due and urgently needed. How can the global boiling point evolve into a turning point?

### **The role of the FTC**

For over a decade, the Financial Transparency Coalition (FTC) has been a platform for leading civil society organizations working together, through shared research, joint advocacy and pooled resources, to demand that IFFs are curtailed. The FTC was formed in the knowledge that IFFs are not just an economic phenomenon depriving states of vital resources, but a threat to social justice, to human rights, and to equality. The FTC plays a unique role in bringing together organisations with specific technical expertise, facilitating exchange between different bodies and enabling policy change across regions. The FTC works closely with (and in many cases overlaps in terms of membership), coalitions and networks which play complimentary roles in the pursuit of shared goals. This includes the Global Alliance for Tax Justice (GATJ) and the Independent Commission for Reform of International Corporate Taxation (ICRCT).

In response to the challenges highlighted above, the 8th international conference of the FTC will bring together civil society leaders, experts – from diverse fields including taxation, economics, corruption, human rights, anti-money laundering - government and multilateral officials, journalists and other stakeholders to discuss the intertwined challenges facing institutions charged with leading the 2020 processes addressing IFFs.

As a global platform with a history of working on IFFs issues and a significant body of work to build from, the FTC is uniquely placed to convene the discussions urgently required amongst stakeholders to ensure 2020 is not a wasted opportunity for long overdue reform.

### **Conference Focus**

The conference will be structured around three inter-related questions:

- What are the key challenges to tackling IFFs for the next 5-10 years, following the culmination in 2020 of processes being led at the G20, OECD, and United Nations, and specifically how can cooperation on IFF issues be strengthened?
- How can the obstacles to participation of different voices from the Global South in multilateral processes related to IFFs be overcome?
- What steps are needed, by whom, and through what processes, to place human rights and gender equality at the heart of future multilateral discussions and agreements on IFFs?

### **Conference Objectives**

- Identify the markers of change in the international financial system over the next 5-10 years and the concrete actions required to achieve changes
- Facilitate the meaningful participation of different voices from the Global South in multilateral processes to challenge the international institutional architecture
- Establish and strengthen intermediary channels of support for underrepresented countries to effectively voice their concerns at international platforms
- Supporting on-going initiatives and developing well-rounded proposals for strengthening financial transparency across the spectrum (internal)

### **Conference outline**

The conference will take place in Bangkok and, while aiming to reflect the voice of developing countries, including at regional level in the Global South, it will have a special focus on the role of developing Asian nations. Alongside the conference event, the FTC will additionally coordinate:

- A process of consultation and preparation, to develop draft proposals as basis for discussion
- A process of follow-up to go beyond the conference itself, linked to key events and processes in 2020.

This will seek to take the outcomes and recommendations from the conference into key multilateral and regional spaces to build a constituency of support, supporting the development of a group of progressive governments committed to working together to pursue coordinated actions to challenge and curtail IFFs.