

Issue update

Selected Issues on International Financial Institutions

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Corporate Accountability Hearings Heat Up

Things were hopping this month in Parliamentary hearings on Bill-300, *An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries* (see IU February 2009). The Bill was presented before the Parliamentary Standing Committee on Foreign Affairs and International Development by MP John McKay on May 25. This month Committee members heard riveting testimony from diverse witnesses (see JUST THE FACTS). Speakers included: Romina Picolotti, former Secretary of the Environment for Argentina and winner of the prestigious Sophie Prize for environment and sustainable development; Stephen Hunt, former mine worker and current Director at the United Steelworkers union; Marketa Evans, the federal government's new Corporate Social Responsibility Counsellor; and mining companies Barrick Gold, Goldcorp and Kinross.

The legislation has stimulated intense debate regarding the Canadian government's role in promoting mining, oil and gas operations in developing countries. Bill C-300 creates more robust eligibility criteria for those companies that receive support from Export Development Canada, Canadian embassies and trade commissions, and for companies in which the Canadian Pension Plan is invested. The standards ensure that government institutions are compliant with Canada's international human rights obligations. The Committee will soon turn to a clause-by-clause examination of the Bill, after which the legislation returns to the House of Commons for Third Reading.

Bill C-300

<http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=3658424&file=4>

Also in this issue:

Financial transactions: taxing toll on G20 relations

Government boycotts dialogue on extractive industries

Notice Board, new publications and upcoming events

JUST THE FACTS: SCFAID hears compelling C-300 testimony



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153 Chapel Street
Ottawa, ON K1N 1H5
Canada

TEL: (613) 789-4447
FAX: (613) 241-4170
WEB: www.halifaxinitiative.org

Financial transactions: taxing toll on G20 relations

In an unexpected move at this month's G20 meeting in St. Andrews, Scotland, British Prime Minister and G20 chair, Gordon Brown, urged countries to adopt a tax on financial transactions (FTT) or an insurance fee to help fund possible future bank bailouts and prevent excessive risk taking. US Treasury Secretary Timothy Geithner quickly dismissed the idea. Canadian Finance Minister Flaherty also opposes the proposal because it involves raising taxes and because Canada didn't require bank bailouts.

IMF Managing Director Strauss-Kahn has also dismissed the FTT, which both he and the media inaccurately refer to as a "Tobin Tax." Strauss-Kahn's position is particularly disappointing given the fact that the IMF has been mandated to study a range of options regarding "how the financial sector could make a fair and substantial contribution toward paying" for the bailouts. Strauss-Kahn dismissed the tax because it would not cover the entire financial sector - some financial innovations would escape its reach. But many in civil society argue that the FTT is not a panacea, but one element of a comprehensive solution. Groups are calling for the adoption of a tax, as well as tougher legislation that regulates the financial sector.

Concerned by the IMF's quick dismissal of the FTT before the study has begun, over 90 civil society organizations have sent the IMF head and its executive directors a letter with four clear demands: 1) pay serious consideration to proposals for financial transaction taxes as part of the study; 2) establish a formal process for engaging civil society views; 3) incorporate independent evidence from economists and academics who have looked at the feasibility of such taxes; and 4) work with other international bodies that are focusing on this issue.

Letter from over 90 CSOs to IMF Head Strauss Kahn re involvement in upcoming study on FTT
<http://halifaxinitiative.info/content/letter-imf-managing-director-strauss-kahn-imf-study-bailouts>

Government boycotts dialogue on extractive industries

Building on the unprecedented consensus achieved through the National Roundtable process (see IU March 2007), this month the Canadian Network on Corporate Accountability (CNCA) and the Mining Association of Canada co-hosted *Up to the Challenge: a Multi-Stakeholder Conference on Corporate Accountability in Canada's Extractive Industries Operating Abroad*. The conference featured international guests including key note speaker Irene Kahn, Secretary-General of Amnesty International. Federal civil servants were scheduled to speak on all conference panels and close to twenty others were registered to attend. Just two working days before the November 3 conference, all government participants, across government departments, canceled. The CNCA has not yet received an explanation for the government's orchestrated boycott of the event.

CNCA letter to ministers regarding government boycott
<http://halifaxinitiative.info/content/cso-letter-regarding-government-boycott-corporate-accountability-conference>

Notice Board - This month...

- ☰ **Ukraine faces having its \$11bn IMF loan cut, and an additional \$3.8bn rescinded, after President Yushchenko signed a wage and pension bill into law.** The bill would allow for 20% increases to public sector wages and pensions at a cost of \$10bn, money the country does not have. Yulia Tymoshenko, the Ukraine's Prime Minister and Yushchenko's primary political opponent ahead of mid-January's Presidential elections, supported the IMF's call to veto the new law. Tymoshenko and Yushchenko have locked heads during the past 18 months, stalling most policy and economic reforms in the country.
- ☰ **The Tax Justice Network released a new financial secrecy index (FSI), which clearly demonstrates the inadequacies of the G20's proposals on secrecy jurisdictions through the OECD's white, grey and black lists.** The FSI looks at 60 jurisdictions and ranks them using **two measures**. One looks at "laws for the primary benefit for those not resident", relating to transparency and accessibility of information to the public and automatic exchange of information by the company. The second takes account for the jurisdiction's size and overall importance to the global financial markets. According to the FSI, the **worst performers** are the **USA (Delaware), Luxembourg, Switzerland, the Cayman Islands, the UK (the City of London), Ireland, Bermuda, Singapore, Belgium and Hong Kong.** <http://www.financialsecrecyindex.com/2009results.html>
- ☰ **Dr. Cephas Lumina, the UN Independent Expert on Debt, has released his latest annual report to the Human Rights Council.** The report calls on countries to support efforts to agree on a definition for the concept of **illegitimate debt**, to establish an international independent arbitration mechanism on debt and to reform the international financial system. <http://www2.ohchr.org/english/issues/development/debt/docs/A-64-289.doc>
- ☰ **The World Bank Commission on Governance, chaired by former Mexican President Ernesto Zedillo, released "Repowering the World Bank for the 21st Century".** The October report provides a **series of recommendations** on how to restructure the Bank's governance, including the following: reduce the Executive Board's size; create separate boards for the International Bank for Reconstruction and Development (geared to middle income countries) and the International Development Association (the grant window for low income countries); rebalance the boards to increase the representation of developing countries; select future presidents in a transparent, merit-based manner, without regard to nationality; and create a yearly performance review to hold the World Bank president accountable. <http://www.ycsg.yale.edu/center/forms/WorldBank.pdf>

New Publications this month

- **"Power, Responsibility, and Accountability: Re-Thinking the Legitimacy of Institutions for Climate Finance"**, Working Paper, World Resources Institute, October 2009. http://pdf.wri.org/working_papers/power_responsibility_accountability.pdf
- **"How to challenge illegitimate debt - Theory and legal case studies"**, Aktion Finanzplatz Schweiz, November 2009. <http://www.aktionfinanzplatz.ch/pdf/Buch-d.pdf>

Upcoming Events

- **International Human Rights Day, December 10, 2009.**

SCFAID hears compelling C-300 testimony

Romina Picolotti, Argentine Secretary of the Environment (2006 - 2008):

“I knew from the very first day I took office (...) that progress towards more sustainable mining would likely be the most difficult challenge during my tenure. [...] I was not wrong. [...] I found, over and over again, that foreign mining interests in Argentina were extremely adept at leveraging their interests within the local political institutions, many times co-opting government officials or ministries to get their way on sensitive environmental and social issues that typically arise from large-scale mining investments.”

Stephen Hunt, Director, District 3, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers international Union:

“Mining, oil and gas companies are the face of Canada abroad. They gain further credibility -- and identity as part of official Canadian policy -- through the co-financing they enjoy from the Export Development Corporation, and the support they receive from Team Canada Missions and local Canadian embassy facilities. Yet, when Steelworker members employed in mining and mineral processing carry out labour exchanges in countries like Argentina, Chile, Peru, South Africa and Guatemala, we find a huge disparity between the corporate behaviour of these companies at home and their corporate behaviour abroad.”

Viviane Weitzner, Senior Researcher, Trade and Natural Resources, North-South Institute:

Suriname is the only country in the western hemisphere where there is no recognition or protection of indigenous or tribal rights; it also has no legislation mandating environmental and social impact assessments. In short, Suriname provides a perfect litmus test from which to gauge the feasibility and effectiveness of voluntary initiatives in addressing human rights and environmental protection. [...] Our research has documented numerous instances in which these (mining) companies failed to implement their own or (International Council on Mining and Metals) ICMM's policies and commitments. To cite one of the most egregious examples, the companies undertook advanced exploration in 2,800 square kilometres of primary rainforest, the traditional territory of the Lokono people, without any environmental and social impact assessment, contrary to company policies. The company has made several public apologies for this large oversight. However, saying “sorry” for not adequately protecting and mitigating social and environmental impacts in advanced exploration is simply not acceptable.

Testimony before Standing Committee on Foreign Affairs and International Development
<http://www2.parl.gc.ca/CommitteeBusiness/CommitteeMeetings.aspx?Cmte=FAAE&Language=E&Mode=1&Parl=40&Ses=2>