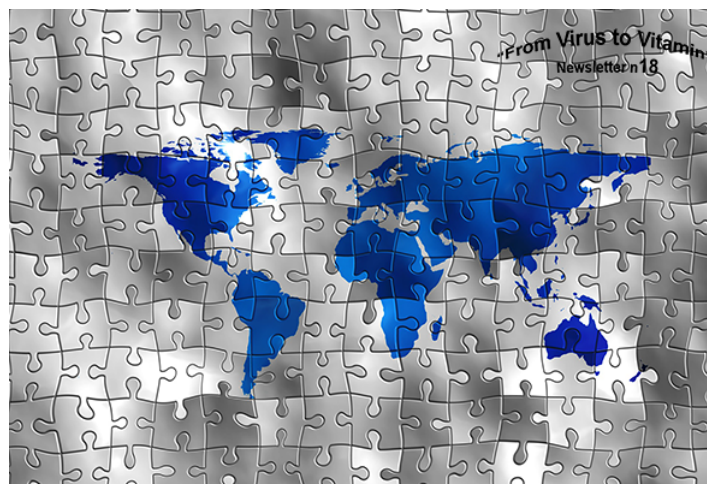


# “From Virus to Vitamin” Newsletter

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**Turning point for the planet:  
can the G7 be trusted?**



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## QUESTION UNDER DISCUSSION

"The G7 meetings took place on 11-13 June 2021. What are the key takeaways and blind spots that the G7 should put on its agenda for its next meeting?"

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## EDITORIAL

### Turning point for the planet: can the G7 be trusted?

The Group of Seven (G7) met in Cornwall, UK on 11-13 June 2021. It was the first in person meeting of the group since 2019 and the first visit of US President Joe Biden to Europe. Although many topics were discussed and notable divergences remain, G7 leaders presented a more cohesive front than in previous summits.

According to Valerio Bruno, Research Fellow at the Centre for Analysis of the Radical Right, the main takeaway of the G7 has doubtless been “the consensus on new global minimum tax rate that companies would have to pay regardless of where they are based, which however sets only 15 percent as minimum.” The goal is to create a level playing field between multinational enterprises, masters in shifting profits to low tax havens and domestic SME, unable to move their fiscal residence and subject to higher taxation, as explained by Eutimio Tiliacos, Secretary General of the Vatican based Centesimus Annus pro Pontifice Foundation. The agreement has been presented as historic but several obstacles to its implementation remain.

The G7 agreed on one of Biden’s major proposals to the group – a global infrastructure programme (\$ 100 billion) entitled “Build Back Better for the World” (B3W) to provide funding and assistance to low- and middle-income economies to boost their development and recovery from the effects of the pandemic. At the same time, the summit pledged to deliver an additional 870 million vaccine doses for developing countries on top of the 250 million already promised by the US and 100 million from the UK. “We welcome

the generous announcements about donations of vaccines and thank leaders. But we need more, and we need them faster,” said World Health Organization Director General, Dr. Tedros Ghebreyesus.

With the return of comity and common purpose, argues Kara Tan Bhala, President of Seven Pillars Institute for Global Finance and Ethics, the *zeitgeist* has clearly moved to fully embrace ESG (Environment, Social, Governance). However, the final outcome lacks detail on many issues and G7 leaders should have been more ambitious in their financial commitments. In addition, according to Counsellor Andrew Cornford, the summit fails to acknowledge the links between some of the issues covered, for example between unregulated cross-border financial flows and global tax problems. Yet, addressing the world’s interconnectedness seems to be a key condition to the success of future summits, as emphasised by professor Tsironis.

It will take time to see whether and how the G7 efforts materialize into concrete actions, nevertheless the return of American leadership and the commitments made during the summit offer some light at the end of the tunnel as the world struggles to overcome the pandemic. More and faster remain, however, the keywords.

[Virgile Perret](#) & [Paul H. Dembinski](#)

**“... a minimum carbon tax at borders ...”**

The points to remember from the G7 of June 11-13, 2021: pandemic, climate, domination of the world economy through digital and fiscal government strategies. The blind spot of this G7: its instrumentalisation by the USA in the service of its policy of confrontation with China and Russia. As the "end of history" announced in 1990 turned out to be the "end of geography", **the next G7 should aim to involve all countries without exception. Example: a minimum carbon tax at borders - like the minimum corporate tax promoted by the OECD and accepted by the last G7 - with an adequate compensation between northern and southern states.**



**Etienne Perrot**

*Jesuit, Dr. Economics sciences, editorial board of the magazine Choisir (Geneva), editorial adviser of the journal Études (Paris).*

**“... Big Tech regulation and climate change ...”**

A Chinese official said after the G7 that “small groups of countries do not rule the world”. Is this true? To establish a new level of understanding among Western democracies before starting new rounds of talks with China appear as logical tactics in the Biden era. But two main components, the US and EU, have different views on how to engage with China. **The G7 could be more useful if it focused on common answers to challenges from within: Big Tech regulation and climate change goals. It should start a serious discussion about carbon pricing and standard metrics on environmental impact to be applied by business. And it should multiply the insufficient commitments taken concerning vaccine distribution worldwide.**



**Domingo Sugranyes**

*Director of a seminar on ethics and technology at Pablo VI Foundation, past Executive Vice-Chairman of MAPFRE international insurance group.*

**“... the consensus on new global minimum tax rate ...”**

Apart from the return to multilateralism and the revival of the transatlantic relations, suddenly interrupted during the Trump Presidency, the main takeaway of the G7 held last June in Cornwall has doubtless been **the consensus on new global minimum tax rate that companies would have to pay regardless of where they are based, which however sets only 15 percent as minimum. The main blind spot remains the income inequalities that increased with the Covid-19 pandemic:** as Zsolt Darvas of the think-tank Bruegel has pointed out “Less-educated workers have suffered most from job losses in the COVID-19 pandemic, and it is quite likely there was a significant increase in European Union income inequality in 2020.”



**Valerio Bruno**

*Researcher in politics and Senior Research Fellow at the Centre for Analysis of the Radical Right (CARR).*

**“... level playing field is more and more totally missed ...”**

Discussion on corporate taxation has been at the same time a key takeaway of the G7 recent meeting and a blind spot since consisting for the time being in pure announcements. A recent IMF study so comments: “There is mounting global awareness that the existing corporate income tax (CIT) system is no longer fit for purpose... Empirical evidence suggests that multinational enterprises (MNE) profits tend to be taxed less than profits of domestic peers, reflecting profit shifting from high- to low-tax affiliates.” **Statutory CIT rates in Europe in fact in aggregate declined sharply from an average of 35 % in 1995 to 21 % by 2019. Vacuum so created has been filled by higher than possible taxation to SME not able to move their fiscal residence to low taxation EU countries. Level playing field is more and more totally missed.**



**Eutimio Tiliacos**

*Secretary General of the Vatican based Centesimus Annus pro Pontifice Foundation*

**“... the zeitgeist has clearly moved to an embrace of most things ESG ...”**

The notable feature of the June 2021 G7 meeting must surely be the euphonious tone compared to the discordance over the last four years. The US returned to its seat at the table and spoke in a vocabulary demonstrating shared values with other members. In turn, the group embraced the language of President Biden’s administration with a proposed new infrastructure aid program called Build Back Better for the World. **With the return of comity and common purpose, the zeitgeist has clearly moved to an embrace of most things ESG (Environment, Social, Governance). As such, G7 leaders appreciate the burning necessity for climate change mitigation. Thus, the next G7 meeting should set specific and binding accords on reducing carbon, pricing carbon, and taxing carbon.**



**Kara Tan Bhala**

*President and Founder of Seven Pillars Institute for Global Finance and Ethics*

**“... no mention of the links between some of the issues covered ...”**

Parts of the statements at the G7 summit were a predictable mixture of references to global problems and proposed measures for dealing with them: a climate finance target for developing countries (USD 100 billion); 1 billion vaccine doses for lower-income countries; a pledge to channel SDRs unused by G7 countries to countries most in need; forward movement on a global minimum tax rate for corporations; and general acknowledgement of the need to tackle inequality. **There was no mention between unregulated cross-border financial flows and global tax problems. And there was no mention of the growing political problem of the need for rules which reconcile global governance with more national and local autonomy. In trade, greater recourse to national treatment to help with mitigation of climate and other environmental problems must be reconciled with the ubiquity of global value chains.**



**Andrew Cornford**

Counsellor, Observatoire de la Finance; past staff member of UNCTAD, with special responsibility for financial regulation and international trade in financial services.

**“... united we stand, divided we fall ...”**

Reaffirming the commitment to work together, supporting the global economic recovery, the developing economies, sustainability and climate finance is by itself the most promising point of the 2021 summit. However, the reluctance to move from promising to balanced economic initiatives that set out an adequate financing package for vaccines and debt relief belongs to its blind spots. More than just healing the post-pandemic economic woes, the world needs a vision of an economy for the benefit of all that overarches the rich-poor countries gap. **The future summits will fail to face the world problems if they fail to address the world’s interconnectedness: poverty and lack of fair trade, human rights and balanced development, climate change and accountability, frenzy profit and pandemics. More are expected by G7 as the ancient Greek storyteller Aesop warns us ‘united we stand, divided we fall’.**



**Christos Tsironis**

Assoc. Prof. of Social Theory at the Aristotle University of Thessaloniki

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**Valerio Alfonso Bruno** is a Researcher in politics and a Senior Research Fellow at the Centre for Analysis of the Radical Right (CARR), member of AREF and AIESC. He provides regularly political analysis for, among others, the Fair Observer, Social Europe and Indus News.



**Andrew Cornford** (Counsellor, Observatoire de la Finance; from 1977 until 2003 staff member of UNCTAD, latterly with special responsibility for financial regulation and international trade in financial services)



**Paul H. Dembinski** is the initiator and Director of the Foundation of the Observatoire de la Finance. In parallel, he is partner and co-founder of Eco'Diagnostic, an independent economic research institute working for both government and private clients in Switzerland and elsewhere. Paul H. Dembinski is also Professor at the University of Fribourg.



Dr. **Virgile Perret** holds a Ph.D in Political Science from the University of Lausanne and he is specialized in the study of monetary innovation from an interdisciplinary perspective. He collaborates with the Observatoire de la Finance where he is responsible for managing the global Prize "Ethics & Trust in Finance for a Sustainable Future".



**P. Etienne Perrot**, Jesuit, Doctor in Economics sciences, member of the editorial board of the magazine Choisir (Geneva), editorial adviser of the journal Études (Paris).



**Domingo Sugranyes Bickel**, KCSG. Graduated from the University of Fribourg, Switzerland. Secretary General of UNIAPAC, Brussels, from 1974 to 1981. With MAPFRE international insurance group from 1981, Executive Vice-Chairman until 2008. From 2009 to 2019, Chairman of Vatican-based Foundation Centesimus Annus Pro Pontifice. Knight Commander of the Pontifical Order of Saint Gregory the Great (April 2019).



## LIST OF CONTRIBUTORS

**Dr. Kara Tan Bhala** is President and Founder of Seven Pillars Institute for Global Finance and Ethics, the world's only independent think tank for research, education, and promotion of financial ethics. Dr. Tan Bhala worked nearly twenty in finance, mostly on Wall Street, and has five degrees across three disciplines.



**Eutimio Tiliacos** is Secretary General of the Vatican based Centesimus Annus pro Pontifice Foundation. Has previously been in executive positions in several companies operating in the fields of energy, electronics, mechanical industry, transportation, financial services. Since 2009 has also acted as external expert for the European Commission in the satellite Galileo project.



**Christos N. Tsironis** is Assoc. Prof. of Social Theory at the Aristotle University of Thessaloniki. He is member of various research partnerships and associations, member of AIESC and Director of the the Social Research Center for Culture and Religion.





### “FROM VIRUS TO VITAMIN” – JOIN THE DISCUSSION

**The Observatoire de la Finance** intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society. In brief, we want to turn the virus into a vitamin for the future.

**Our Discussion Board** “From Virus to Vitamin” focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

**Contributors** ([Discover the list of contributors](#)) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its LinkedIn page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <[perret@obsfin.ch](mailto:perret@obsfin.ch)>.

#### OF Discussion Board – Questions addressed so far

- Question 17 : [Sustainable Finance: Hype or Hope?](#)
- Question 16 : [Universal basic income – an idea boosted by the pandemic?](#)
- Question 15 : [Multi-polarity: the best guarantee against falling \(again\) into the Thucydides Trap](#)
- Question 14 : [Special Drawing Rights: a drop of liquidity in an ocean of needs](#)
- Question 13 : [Trump’s economic heritage: false promises setting the stage for populist disruption](#)
- Question 12 : [Will America drive the world again? A wish list for Biden’s economic agenda](#)
- Question 11 : [Rush for Covid-19 vaccine: bottle-necks require public-private worldwide](#)
- Question 10 : [Does robotisation trigger redistribution?](#)
- Question 9 : [Scaling up industrial policy at regional level](#)
- Question 8 : [Stock markets and the real economy: dangerously skewed allocation](#)
- Question 7 : [Realigning international trade according to the full cost principle](#)