

Tax Justice in the Extractives Sector A Renewed Call in COVID times to Stop Tax Abuse and Plunder



Resource-rich countries spanning Africa, Latin America and Asia share a common ground. They continue to be targeted for natural wealth extraction, offer extensive fiscal incentives for mining investors, and are markedly sites of massive illicit financial flows.

Deemed an “essential service” in several Asian countries, the extractives sector has been exempted from lockdowns, in stark contrast to restrictions on peoples’ desperate efforts to survive, absent adequate public socio-economic support. India, for one, expects to produce around 845 million tonnes of coal in 2020 – an 8.3% increase compared to 2019. In truth, continued production in the extractives industry has enabled it to rake in even greater profits. Profit at the expense of people and the environment; profit that benefits an elite few and often hidden in secrecy, robbing people and countries of potential tax revenues for funding public services.

Even before COVID, the extractives industries had been spotlighted for corporate tax abuses and preferential tax treatment, making the sector fertile ground for illicit financial flows. Through carefully crafted tax evasion and avoidance schemes, many corporations are enabled to shift profits to low or zero-tax jurisdictions rather than book them in the countries where those profits were made. These constitute illicit financial outflows that deprive people – including workers and families of mining-affected communities, especially the poor – of the resources that should have been used to finance public services for health, education, and other basic rights. This adds another layer of harm to the irreversible environmental costs wrought by the extractives industries and results in devastating consequences especially for developing countries.

Moreover, it is a sector that is highly privileged by fiscal incentives, especially in mining of fossil fuels. Indonesia, the 5th largest producer of high-grade coal provides reduced net income tax for 30% of total investment; extension of compensation for losses from 5 to 10 years; Value Added Tax exemption for import of machinery and equipment, among others. Generally, the extractives sectors in different countries have been found to be enjoying incentives that are most threatening to domestic resource mobilization, such as tax stabilization (averaging 20 years), corporate income tax incentives, and withholding tax incentives.

The extractives sector is also typically subject to discretionary political control and fewer checks and balances. It involves interlocking public, shareholder and personal interests where local political elites are also often implicated. It also involves complex technical and financial processes, which can prevent governments from delving deeply into industry operations. The lack of transparency and weak regulatory mechanisms and other governance issues combine to reinforce the climate of impunity for corporate tax abuses and human rights violations.

While financial resources from corporate tax abuses are lost in illicit financial flows, labor conditions in the extractives industry remain appalling. Wages have been stagnant for decades, testifying to the wage evasion attendant to the accumulation and concentration of profits by mining corporates. Workers have been killed and injured in mining accidents while the subsistence livelihoods of their families have been eroded by the toxic

The top 50 biggest mining companies added \$249.5 billion in market capitalization in the first half of 2020. This propelled combined market value from US\$842 billion in 2017 to US\$957 billion as of end-June 2020 due to the surging share prices of gold, silver, iron ore and copper. Gold, in particular, soared close to an eight-year high as COVID fueled concerns to invest in perceived more stable assets. Meanwhile, BHP, one of the world’s largest mining companies, profited massively during the pandemic, reaping US\$7.96 billion net profits in 2020 (trailing twelve months), which is US\$4.80 billion higher than its average profits from 2016-2019.



contamination of their lands, forests and water sources. In the Philippines, for example, mining workers are among the lowest paid in the country. This is part of a decades' long established trend of wage stagnation in the Philippines, even as labor productivity continues to rise. Calls by labor groups and movements for a minimum wage of US\$15-US\$16 have remained unfulfilled and worse, met with reprisal. The average monthly wage rates of "unskilled workers" in mining and quarrying stood at around US\$185.47 as of 2018, an increase of only 20.6% from US\$153.73 in 2016. Consider that the country's poverty threshold is at US\$213.63, on average, the minimum level to meet both basic food and non-food needs per month for a family of five.

- 19 November 2010, New Zealand. A methane explosion at the Pike River underground coal mine in New Zealand killed 29 mine workers. Their bodies have not been recovered.
- 1 August 2012, Philippines. A massive mining spill at the Philex Padcal gold and copper mine released 20.6 million tons of toxic tailings into water bodies in Benguet province. The spill was ten times larger than the 1996 Marcopper copper mine disaster and the third in the history of the Padcal mine.
- 16 August 2012, South Africa. Police fired at workers walking out to go on strike at a platinum mine at Marikana, about 80 miles north of Johannesburg. They shot down 112 of them, killing 34.
- 14 May 2018, Indonesia. Thirty-eight workers were buried when a tunnel at Freeport Grasberg's mine in Papua province. This is the largest gold and copper mine in the world.

A year ago today, we sent out a strong and urgent message that tax dodging in the extractives industries should be stopped, along with the pillage and plunder of the environmental resources of countries of the South, which have also significantly contributed to our climate vulnerabilities, on top of displacing communities, eroding local livelihoods and polluting their food. Countries in the Global South consistently rank in the top 10 most climate-threatened regions of the world. This has not changed. If anything, we renew this call with greater vigor and resolve in the face of the COVID-19 pandemic, greatly alarmed by the continued privileging of corporations and elites over peoples' well-being and survival.

We reiterate the following demands:

1. Stop the plunder and exploitation of natural and human resources and move away from reliance on extractivist economies characterized by over-production and over-consumption by the wealthy.
2. Ensure a comprehensive and effective tax regime for extractive industries, including through resource or export taxes on the export of raw materials from extractive activities, taxation of services related to extractive industries and progressive environmental taxes. Apply effective anti-abuse measures to prevent corporate tax avoidance and other types of illicit financial flows.
3. Levy just, progressive and adequate tax rates on mining and extractive activities and ensure that this revenue contributes to quality public services for all, with special priority to the needs of mining-affected communities and vulnerable groups.
4. Scrap wasteful tax incentives granted to extractive industries.
5. End the impunity of corporations in mining and other extractives industries in their tax abusive practices, including illicit financial flows, and hold them to account for compliance with environmental standards, human rights and fiscal policies. Ensure the financial transparency of extractive corporations, and publish all contracts and any agreements entered into by governments for the exploitation of natural resources, including Production Sharing Agreements.

6. Ensure transparency and accountability at different levels of government and parliamentary policy-making and regulation over the extractives industry. Implement strict anti-corruption policies and punish government officials who are involved in corrupt practices in all phases of mining and extractivist activities, from exploration and licensing to production, use and final point of sale. Hold governments, parliaments, sub-national state bodies and their agencies to account for the tax abuses of mining companies and the complicity of local elites.
7. Institute and enforce tighter social, financial and environmental regulations and sanctions over the extractives sector. Close down harmful and abusive mining projects/companies.
8. Reject or cancel provisions for fiscal stability, investor state dispute settlement, grandfathering and other lock-in clauses in treaties, agreements and contracts with extractive industries, which constrain the decision-making processes of governments, legislative and parliamentary bodies over fiscal and regulatory concerns.
9. Uphold the rights of communities and women affected by mining and other extractivist activities, including their right to protect their communities. Protect the rights of mining workers, ensuring compliance with core standards of the International Labour Organization, especially on occupational health and safety, the right to organize and the right to strike.
10. Protect the rights of the artisanal miners.

We will continue to work in solidarity with economic justice, environmental and climate justice, and human rights movements and organizations fighting for an end to the long list of abuses and violations linked to this billion-dollar global enterprise. The struggle is even more urgent for the resource-rich but impoverished countries of the South especially targeted by extractives firms.

***Stop tax dodging and plundering! Tax justice in extractives! No to burdensome taxes!
Reclaim public money from corporations for human rights and social services!
Tax and Fiscal Justice Now!***



Asian Peoples' Movement on Debt & Development (APMDD), www.apmdd.org

Tax and Fiscal Justice Asia (TAFJA), www.facebook.com/AsiaTaxJustice/

Global Alliance for Tax Justice (GATJ), www.globaltaxjustice.org/