Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation

Dialogue with civil society organizations – May 1

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Thanks, chair for the opportunity to speak on behalf of Civil society.

My name is Dereje Alemayehu. I am from the Global Alliance for Tax Justice – a global Coalition of continental networks working on tax in Africa, Asia, Latin America, North America, and Europe. I am here representing the Civil Society FFD Mechanism which brings together thousands of CSO and social movements working on the themes of the financing for development process at the UN. The Global Alliance for Tax Justice leads the coordination of the tax and Domestic Resource Mobilisation work stream in the Mechanism.

Global civil society has been campaigning for this historic event now starting at the UN – to bring the issue of effective and inclusive international tax cooperation to the UN for more than a decade.

One of the reasons for this is because it gives us the opportunity to be in the room when intergovernmental negotiations take place. It is our duty as CSO players to hold our respective governments accountable for what they support and oppose in negotiations. It is our duty to try to influence process and outcome of intergovernmental negotiations.

I was once invited to speak at a meeting of the Inclusive Framework, an informal forum created and led by the OECD. I was politely shown the door after my five minutes slot!

Listening to some interventions, there are some who approach the negotiation on international tax cooperation the way they approach development assistance. In ODA terms, even if not justified, they may have the right to link their ODA policy with “capacity building” requirements. To prioritise capacity building in international tax cooperation negotiations is condescending – considering developing countries that they do not yet have the capacity to stand for their interests and claim their taxing rights. The demand of developing countries is not complicated – it is to ensure the taxing rights of source countries, their right to tax a part of global profit of multinational generated in their economies; to enhance international tax cooperation that will curtail IFF and other forms of tax dodging.

The other disingenuous argument often raised by some countries is that the UN process should not duplicate the work of the OECD. There are no internationally agreed solutions the OECD has put forward to be duplicated. Even its four minimum standards that concluded the first BEPS process are not signed by the US! The signing of the MLC on Pillar 1 is being postponed all the time.
There are no position which advocates rejecting anything that comes from the OECD. Countries are being asked to accept the whole package, although so many were not part of the process. The package is not accepted even by the whole members of the Inclusive Framework. Many have reservations on the various aspects of the Pillars.

Incidentally, why is that the non-OECD countries in the Inclusive Framework are not the ones raising this “duplication” issue? Why did the 27 African countries who are also members of the Inclusive Framework unanimously support the UN GA resolution to start the tax cooperation negotiations here at the UN.

However, what we are rejecting is the acceptance of the OECD package as a package. The OECD member countries have the right to unpack the package and submit the proposals in it for consideration by the whole membership of the UN.

Let them propose in the tax negotiations here at UN that the Framework Convention should only have 85 MNC in its scope and distribute only 10 or 25% of their “residual profit” to market jurisdiction.

Let them propose the OECD pillar two with its pecking order which puts residence countries first, source countries last and “rewards conduit countries” as one of my colleagues from CSO and a conduit country said in his intervention.

Finally, what we are proposing as central principle of this negotiation is simple and can be achieved if the negotiations are conducted in good faith with political will:

“The tax policy and practice of a country should not undermine the tax revenue of another country.” This is a fair and just principle on which a truly effective and inclusive international tax cooperation can be established.

Thank you