

Conference on South-South Cooperation in International Tax Matter

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International Cooperation

“International co-operation is, as is well known, only the reverse, positive side of conflict, and...what in the parlance of politicians is called "co-operation" in reality quite often is nothing but a euphemism for the new forms of power struggle, or the dominance of richer and more powerful nations over poorer and weaker. Thus, the study of economic cooperation, through the facts which have been unearthed, has itself become a study of international economic power.”*

- International Cooperation – a sub-theme of IR promoted by liberalist school of thought
- **Realism** implies brute pursuance of objectives
- **Liberalism & Realism** are not competing theories
- Liberalism is touted & Realism is executed
- **Coercive reality**

Semantic Occupation

- A **conceptual ecosystem** straddling on law, tax, accountancy, finance, development, and diplomacy has been created to practically incapacitate developing countries to think beyond the **set conceptual confines** euphemistically dubbed as *international tax cooperation*.
- An amphitheater
- **Power struggle** Global haves & global have-nots
 - Official development assistance
 - Technical assistance
 - Capacity building
- **Legal infrastructure** for licit & illicit financial flows
- **Conceptual caging**

“The New Initiative”

- In 1971, Patrick Kelley's wrote in **“Tax Treaties between the United States and Developing Countries: The Need for a New US Initiative,”**: -
“The efforts of the United States to conclude a series of **bilateral tax treaties with developing countries has reached a virtual stalemate**. Of the twenty-two conventions for the avoidance of double taxation of income currently in force between the United States and other nations, only two treaties, Pakistan and Trinidad and Tobago, exist with members of the so-called “Third World.” *The American Journal of International Law*
- Simultaneously, OECD Reports encourage Member States to engage other countries to sign DTCs
- Neoliberalist varnish of the international intellectual environment
- **But what was “The New Initiative?”**

UN's Instrumentalization

- **ECOSOC Resolution 1273/1967**
- **1968 – Ad Hoc Group of Tax Experts** formed – 18 Experts (11 versus 07) – a countermajoritarian setup
- AHG's operational perimeters were set as **“tax treaties between developed and developing countries... in the context of the special economic relationship”** in order **“to facilitate trade”** and **“promote foreign investment in developing countries.”**
- **Protection of tax base or domestic resource mobilization is not a focus area**
- **What does it lead to?**

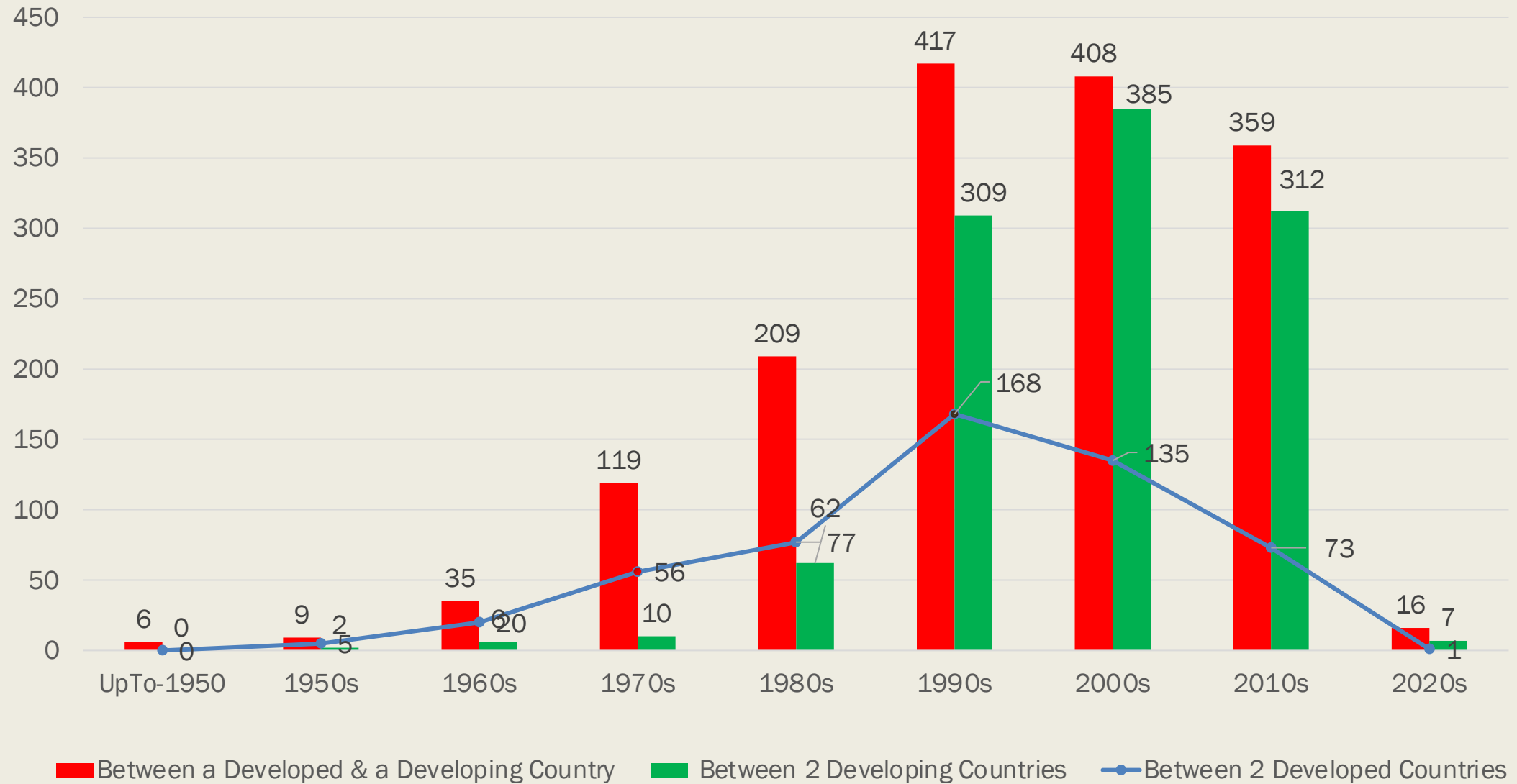
UN-ization of OECD Model

- **1968 – Ad Hoc Group of Tax Experts 1st Meeting**
- 11 out of 18 AG Experts are from OECD countries

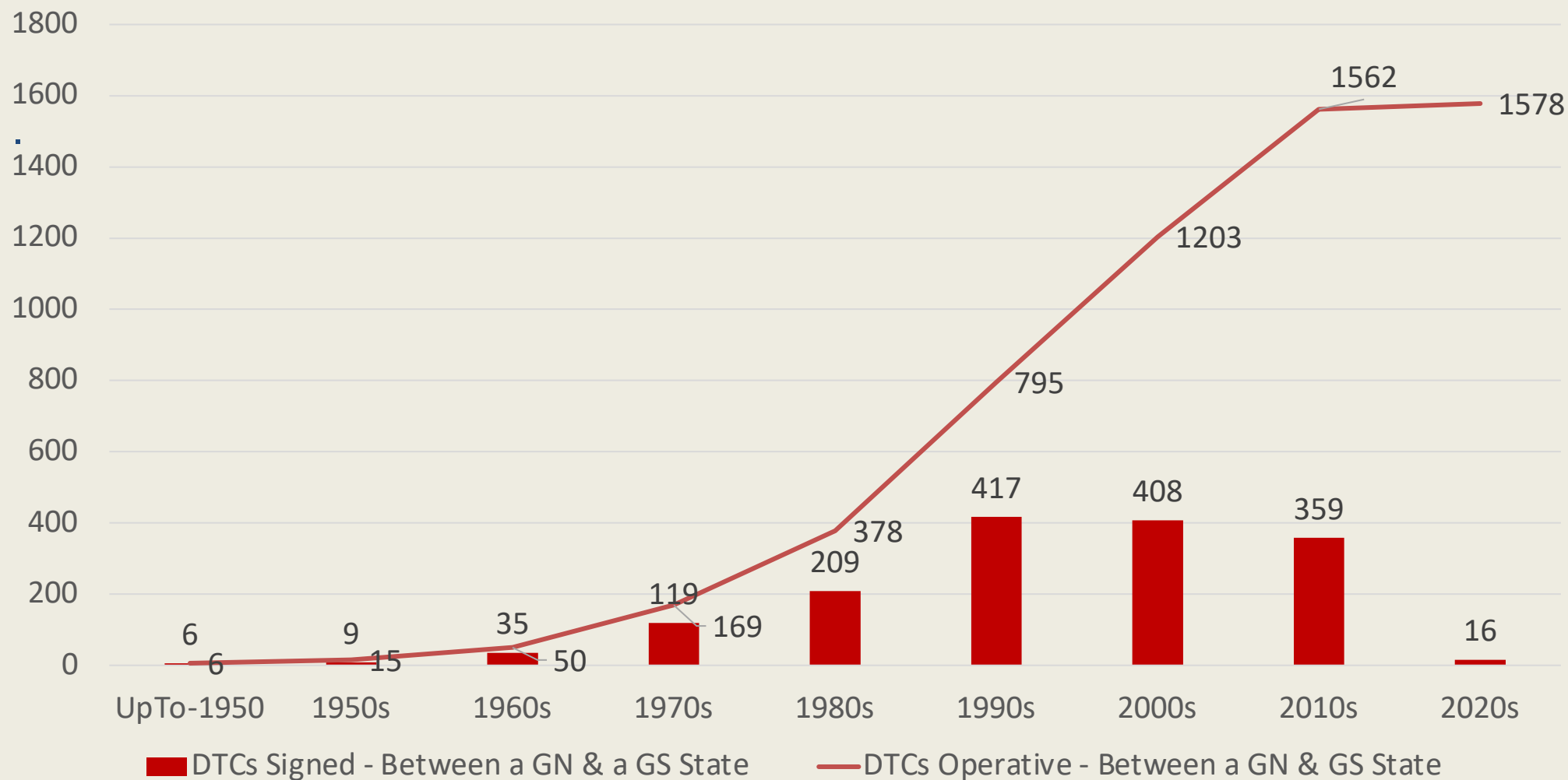
“Notwithstanding the fact that the OECD Draft Model Convention had been elaborated by experts from countries on approximately equal levels of economic development and that it seemed, in its current form, less suited for treaties between developed and developing countries, **the Group accepted it as the best available framework for its discussions, to be considered together with other documents circulated. This offered the most expeditious way in which the particular problems could be explored.**”

- Developed country reps meet and decide OECD MTC is good for developing countries

DTCs Signed 1950s – 2020

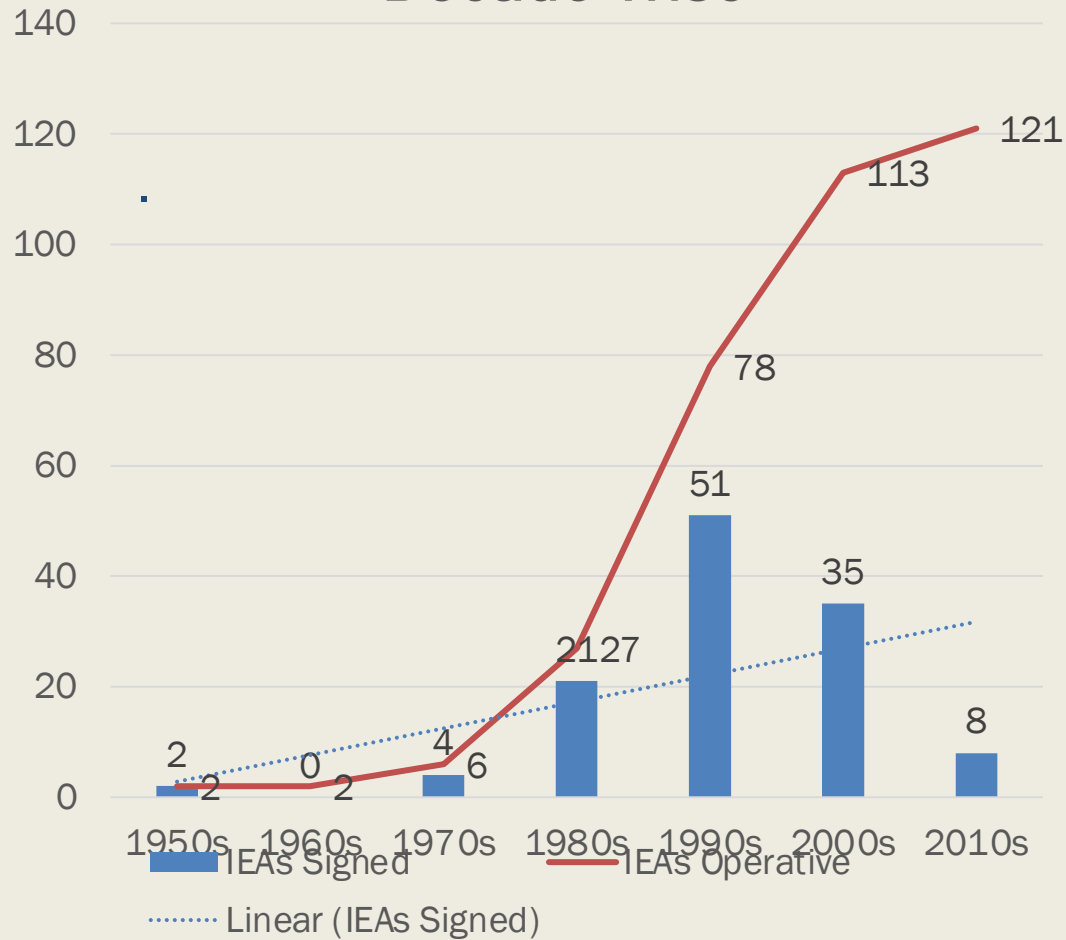


DTCs Signed & Operative (GN & GS States)

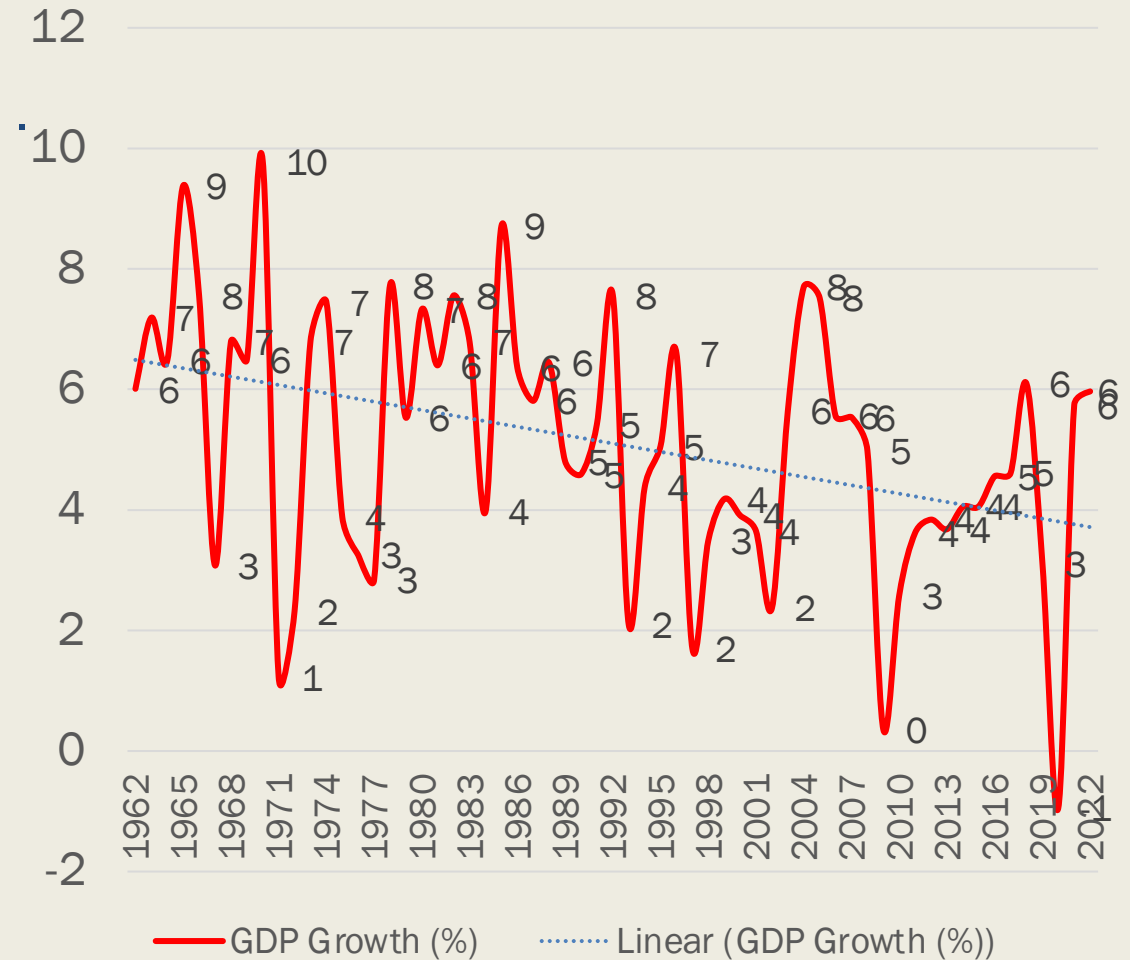


Pakistan – A Case Study

IEAs Signed & Operative – Decade-Wise



GDP Growth Rate



BEPS 2.0 Outcomes

- Lack of any international legal framework
- **Not universal in tone & tenor**
- **Doubtful inclusivity**
- **Unstructured processes**
- **Loaded agenda setting**
- **Effort to supplant UN**
- **Complexity** – New layers of rules **on top of** existing system
- **Limited Scope** of Amount A as only a small portion of profits of around 100 MNEs is covered
- **Unfair** as GloBE allocation under DMTT benefits investment hubs
- **STTR-MLI** – limited to intra-MNE payments, capped at 9% ETR on net profits
- **Not for Global South**

Global South's Options

(A) Optimising on UN Tax Committee

- Capacity building
- Role for International Tax Justice Champions

(B) Transitioning from ALP to FAM

- Breaking conceptual confines
- International conference on Transition

(C) Optimising on the UN-level Intergovernmental negotiations

(D) Developing a Structured South-South Cooperation

- Global South Conference of Tax Administrations
- A representative body

Thanks