2024 Trade and development report

Chapter V

The global South and new international tax architecture: The quest for development finance

The ongoing initiative to establish the United Nations framework convention on international tax cooperation offers an important opportunity for developing countries to close current gaps in the international financial architecture and embed sources of domestic revenue in their economies.

In contrast to the existing tax regime, which relies on bilateral and limited multilateral tax agreements, the convention aims to create a global multilateral framework for international tax cooperation.

Unlike many earlier global tax proposals, such as taxation of international currency transactions, the proposed convention would be unique in bringing international taxation under a comprehensive framework. It would thus enable a focus on both the trade and financial dimensions of global business activities.

The goal of the convention is to create a global tax platform that would address base erosion and profit-shifting (BEPS) activities, such as tax avoidance and illicit financial flows, and enhance international financial integrity and governance, all of which are key to effective financing for development and the Sustainable Development Goals.

The success and efficacy of the proposed tax architecture for development will depend on policy cooperation among developing countries and global North–South dialogue.

United Nations

Policy takeaways

- While both the United Nations and OECD seek to improve international tax cooperation, the former takes **a more inclusive and transparent approach focused on and representative of the global South**.
- Ongoing negotiations and the potential eventual adoption of the United Nations framework convention on international tax cooperation could play central roles in shaping the future of tax cooperation and reforming the international financial architecture. **Commitment from Member States, careful diplomacy and technical expertise will be key to success**.
- **Risks of the emergence of a differential tax regime globally cannot be ignored.** Double taxation and arbitrage niches can harm global trade and investment flows, endangering domestic revenue mobilization. This is particularly true for consumer-facing and digital economy businesses, given that the bulk of consumers are in developing countries.
- **In the wider quest for sources of long-term development finance, policy efforts in the global South need to focus on the root causes of inadequate public resources for sustainable development**, which include corporate arbitrage, financialization and the concentration of corporate power.

A. Introduction

The current inflection point in globalization accentuates the structural barriers that developing economies face on the path to more inclusive economic integration and sustainable growth. As the fiscal and trade policies of advanced countries shift to support long-term reindustrialization and climate transition at home, global financial markets are focused on maximizing private sector profit (Foroohar, 2024).

In 2023–2024, an important development in global economic governance took root. Following a series of initiatives led by Nigeria and the Group of African States, the United Nations General Assembly in December 2023 approved the creation of an Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation (Ad Hoc Committee). The committee started its work in 2024.

The proposed framework convention focuses on both the trade and financial dimensions of global business activities.

The proposed convention would establish a new international tax architecture, one providing countries of the global South with greater revenues and stemming what they view as aggressive profit shifting out of their countries. The convention could take a significant step towards closing some current gaps in the international financial architecture by focusing on both the trade and financial dimensions of global business activities. The goal is to create a global tax platform to address BEPS activities, such as tax avoidance and illicit financial flows, and enhance international financial integrity and governance, all of which are key to effective financing for development and the Sustainable Development Goals.

This chapter examines the potential role of the tax convention in a sustainable finance agenda. Section B lays out key markers in the quest for long-term development finance. It focuses on the UNCTAD agenda for a development-conscious international financial architecture and discusses the challenges of domestic revenue mobilization. Section C explores the role of the tax convention in securing long-term finance for development. Section D analyses the potential benefits and challenges for the global South of current proposals at the United Nations and under the OECD inclusive framework process. Section E concludes the chapter.

B. The quest for long-term sources of development finance

As one economist put it, a key reason for the success of the Bretton Woods institutions in the early post-war period was "amazing institutional engineering" (Rodrik, 2011). Today, amid fundamental changes in production, trade, finance, technology and climate, a repositioning of the interests and voices of the global South in global economic governance requires a re-engineering of several dimensions of the global economy. Such a reform should be guided by the core principles of inclusiveness, North–South dialogue and consultation, and safeguards for the policy space of developing countries. Across these three concerns, a core priority is to address deficits in representation in institutions of global economic governance.

The pandemic and cascading crises have hindered progress on the Sustainable Development Goals in the global South. For the first goal, to end poverty, the number of people living in extreme poverty rose to 724 million in 2020, surpassing the pre-pandemic projection by 90 million and reversing approximately three years of progress on poverty reduction. Under current trends, 575 million people will still be living in extreme poverty in 2030, and only about one third of countries will meet the target to halve national poverty levels. In such a context, the countries of the global South need external support, including through multilateral actions to shape a global financial architecture that enables sustained economic growth and achievement of the Sustainable Development Goals.

Developing countries face hard policy trade-offs due to complex and overlapping crises linked to high energy prices, increased demands for health and social services, and constraints on international trade due to rising protectionism and the geoeconomic changes discussed in chapter III. While 54 developing countries still do not have credit ratings and are denied access to financial markets, only a handful of those that do have ratings have reached investment grade. Among countries in Africa and Latin America, 58 have ratings. In 2019, 11 had investment grade ratings, a number that fell to 8 in 2023. Among all developing countries, only 22 had investment grade ratings. High costs, volatile external private financing and limited access to affordable public financing exacerbate already lagging development finance (see chapter II).

The urgency of the reform of the international debt architecture is escalating as debt stresses risk morphing into a development crisis in the global South. The need for a global financial safety net is increasingly acute, as current mechanisms are inadequate in the face of the mounting financial needs of many developing countries (figure V.1). There are also issues of representation and lending capacity within the global financial safety net that policymakers in the global South need to consider (box V.1).

International financial reform is becoming more urgent as the debt crisis risks morphing into a development crisis.

Box V.1
Regional and bilateral measures in times of crises

The global financial safety net plays a key role in supporting countries during major shocks and crises. It offered unprecedented capacity for crisis prevention when the COVID-19 shock occurred in 2020, having expanded tenfold in size over the decade since the global financial crisis.

An evolving element of the global financial safety net entails regional financing arrangements that provide urgent short-term liquidity and foreign exchange coverage on preferential terms, without the austerity and unpopular procyclical conditionalities typically imposed by the IMF. Some of these arrangements also offered parity in governance and equitable voting rights in ways that do not yet exist in the Bretton Woods institutions.

In 2019–2020, regional financing arrangements lent more than $5 billion to their members, a significant sum. In many cases, these arrangements were seen as a “first resort” and complement to the “last resort” of global institutions (Barrowclough et al., 2022; UNCTAD, 2022). Even so, and despite the expanded capacity of regional arrangements, they remained largely untapped during the COVID-19 period. They also provided relatively uneven support (UNCTAD, 2022) to both lower- and higher-income countries (Hawkins and Prates, 2021; Mühlich and Fritz, 2021; Mühlich et al., 2020, 2022).

Bilateral swap arrangements have become a new and rapidly dominating form of finance that was used extensively during the COVID-19 crisis, reaching a total of $1.5 trillion. A wide range of central banks offer swaps, including banks in developing countries such as Bhutan, India, Indonesia, Maldives, Qatar and Sri Lanka, to name a few. Swaps arranged by developing country banks are much smaller than those orchestrated by the United States Federal Reserve and the People’s Bank of China, and to a lesser degree by central banks in other advanced economies, such as Australia, Japan, Sweden, Switzerland and the United Kingdom.

Heavy reliance on bilateral swaps was already emerging in the year before the COVID-19 crisis, causing concern (Mühlich et al., 2022; UNCTAD, 2022; Barrowclough et al., 2022) as the effect on the global financial safety net is ambiguous. While such swaps seem to be a voluminous source of finance, in practice, they lack many of the advantages of multilateral global or regional lending – including predictability and transparency. Swaps represent an extreme form of factionalism between two countries rather than the “club” type arrangements by multiple countries that lie at the heart of regional or international financing arrangements. Bilateral schemes are discretionary by definition and design, lack standard practices or protocols, and are neither transparent nor equitably distributed among developing countries.

The IMF remains the global lender of last resort. During the pandemic shock, it provided over $119 billion (Mühlich et al., 2024). Yet despite regular calls for a fundamental reform of the IMF quota system, there was no net increase in lending capacity in the recent sixteenth General Review of Quotas nor a realignment of the system to reflect the needs and economic or demographic weight of developing countries. While quotas increased by 50 per cent, there was a proportional reduction in other sources of IMF finance, including the New Arrangement to Borrow, meaning that IMF lending firepower has effectively remained constant.

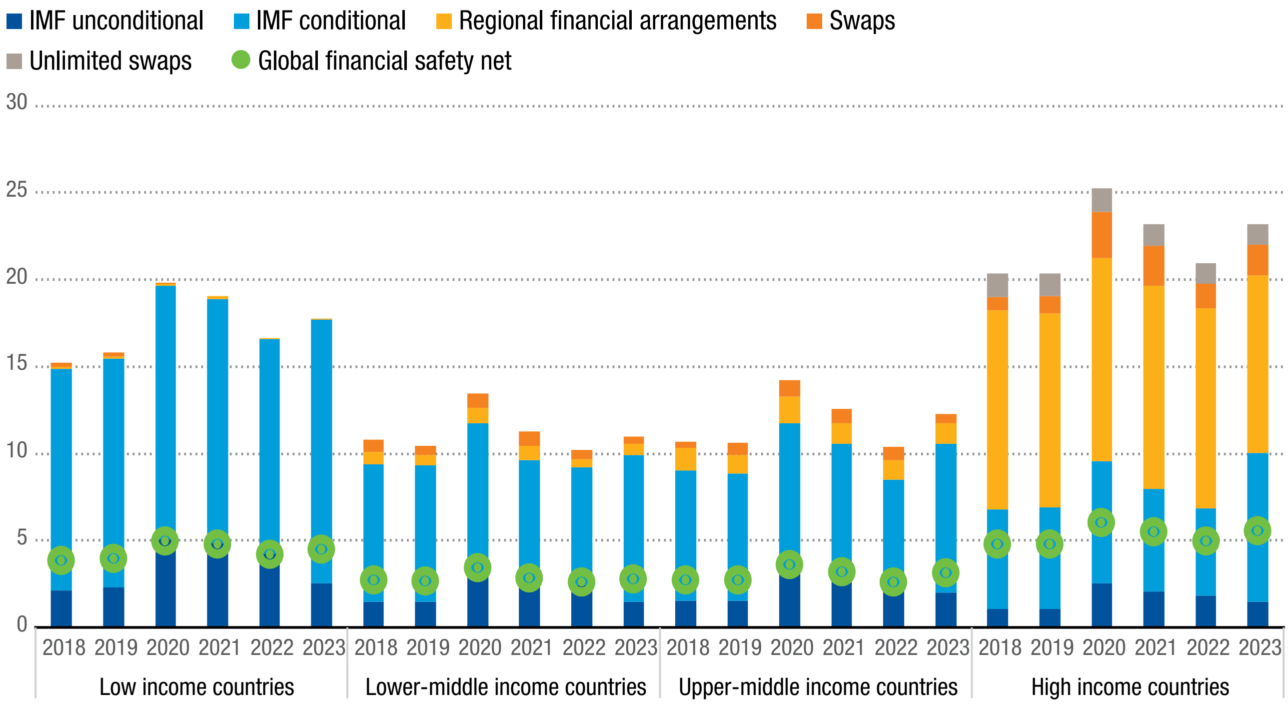
Sources: Barrowclough et al. (2022); UNCTAD (2022); Hawkins and Prates (2021); Mühlich et al. (2020, 2022, 2024); Mühlich and Fritz (2021).

Timely and flexible liquidity, debt relief, sovereign debt restructuring, an expanded global financial safety net and a wider scope for multilateral development bank lending remain top priorities in the multilateral agenda on financing for development. They lie at the heart of reform proposals by UNCTAD to establish a development-conscious international financial architecture (table V.1).

Crucially, these efforts need to take place in parallel with the democratization of the governance structures of the international financial institutions, where developing countries remain underrepresented despite some improvements over the past two decades (figure V.2).[36] Beyond these urgent tasks, long-term development financing requires a foundation of effective and coordinated mechanisms for revenue mobilization.

Long-term development financing requires a foundation of effective mechanisms for revenue mobilization.

Figure V.1
Inequities in access to crisis finance in the global financial safety net
Access to lending facilities by country income group
(Percentage of GDP)



Source: Derived from data from Global Financial Safety Net Tracker available at https://www.bu.edu/gdp/global-financial-safety-net-tracker/. The Boston University Global Development Policy Center, Freie Universitat Berlin and UNCTAD created the tracker as the first global interactive database measuring the annual lending capacity of the IMF, central banks and regional financing agreements, and the total amount of financing to combat the COVID-19 crisis via loans from the IMF, regional financing agreements and currency swaps.

Note: Green dots indicate the averages of all individual components.

[36] At the International Bank for Reconstruction and Development, part of the World Bank Group, for example, developing countries have 43 per cent of the overall vote compared to 38 per cent in 2000. This represents an increase of some 15 percentage points over 24 years. While the level is marginally below the level of the developing country share of global GDP, which is around 40 per cent, it is only half their share in terms of population. In organizations where voting is arranged on a one country, one vote basis, such as the WTO and United Nations, the developing country share is between 60 and 75 per cent of the total vote. This does not mean that decisions are made to their advantage, nor can it be argued that developing countries always vote in the same direction. Individual country interests can vary significantly, just as with advanced countries.

Table V.1
Proposals to reform the international financial architecture

UNCTAD proposals	Related actions recommended by the United Nations in Our Common Agenda Policy Brief 6
Institutional reform	Action 1. Transform the governance of international financial institutions
	Action 2. Create a representative apex body to systematically enhance coherence of the international system
Liquidity **1965**: Universal special drawing rights allocations with aid link **1971**: Creation of the Group of 24	Action 10. Strengthen liquidity provision and widen the financial safety net
	Action 11. Address capital market volatility
Investment **1964**: Multilateral interest equalization fund (Horowitz proposal) **1965**: Universal special drawing rights allocation with aid link **1970**: Official development assistance target of 0.7 per cent of GDP **1971**: Definition of least developed countries **2014**: Support for Southern-led multilateral development banks	Action 5. Massively increase development lending and improve terms of lending
	Action 6. Change the business models of multilateral development banks and other public development banks to focus on sustainable development goal impact; and more effectively leverage private finance for sustainable development goal impact
	Action 7. Massively increase climate finance, while ensuring additionality
	Action 8. More effectively use the system of development banks to increase lending and sustainable development goal impact
	Action 9. Ensure that the poorest can continue to benefit from the multilateral development bank system
Debt **1980**: Trade and Development Board agrees on the need for a Mechanism for Fair Sovereign Debt Workouts **1983**: Creation of the Debt Management and Financial Analysis System **2012**: Principles for Responsible Sovereign Lending and Borrowing **2014–2015**: United Nations General Assembly resolution creating the Ad Hoc Committee on Sovereign Debt Restructuring, definition of basic principles.	Action 3. Reduce debt risks and enhance sovereign debt markets to support sustainable development goals
	Action 4: Enhance debt crisis resolution through a two-step process: a debt workout mechanism to support the common framework and, in the medium term, a sovereign debt authority
Finance–corporate nexus **1967**: United Nations General Assembly resolution creating the Ad Hoc Group of Experts on International Cooperation in Tax Matters. **1975–1993**: Creation of the Centre for Transnational Corporations	Action 12. Strengthen regulation and supervision of bank and non-bank financial institutions to better manage risks and rein in excessive leverage
	Action 13. Make businesses more sustainable and reduce greenwashing
	Action 14. Strengthen global financial integrity standards
	Action 15. Strengthen global tax norms to address digitalization and globalization through an inclusive process, in ways that meet the needs and capacities of developing countries and other stakeholders
	Action 16. Improve pillar two of the proposal by the OECD/Group of 20 inclusive framework on [BEPS] to reduce wasteful tax incentives, while better incentivizing taxation in source countries
	Action 17. Create global tax transparency and information-sharing frameworks that benefit all countries

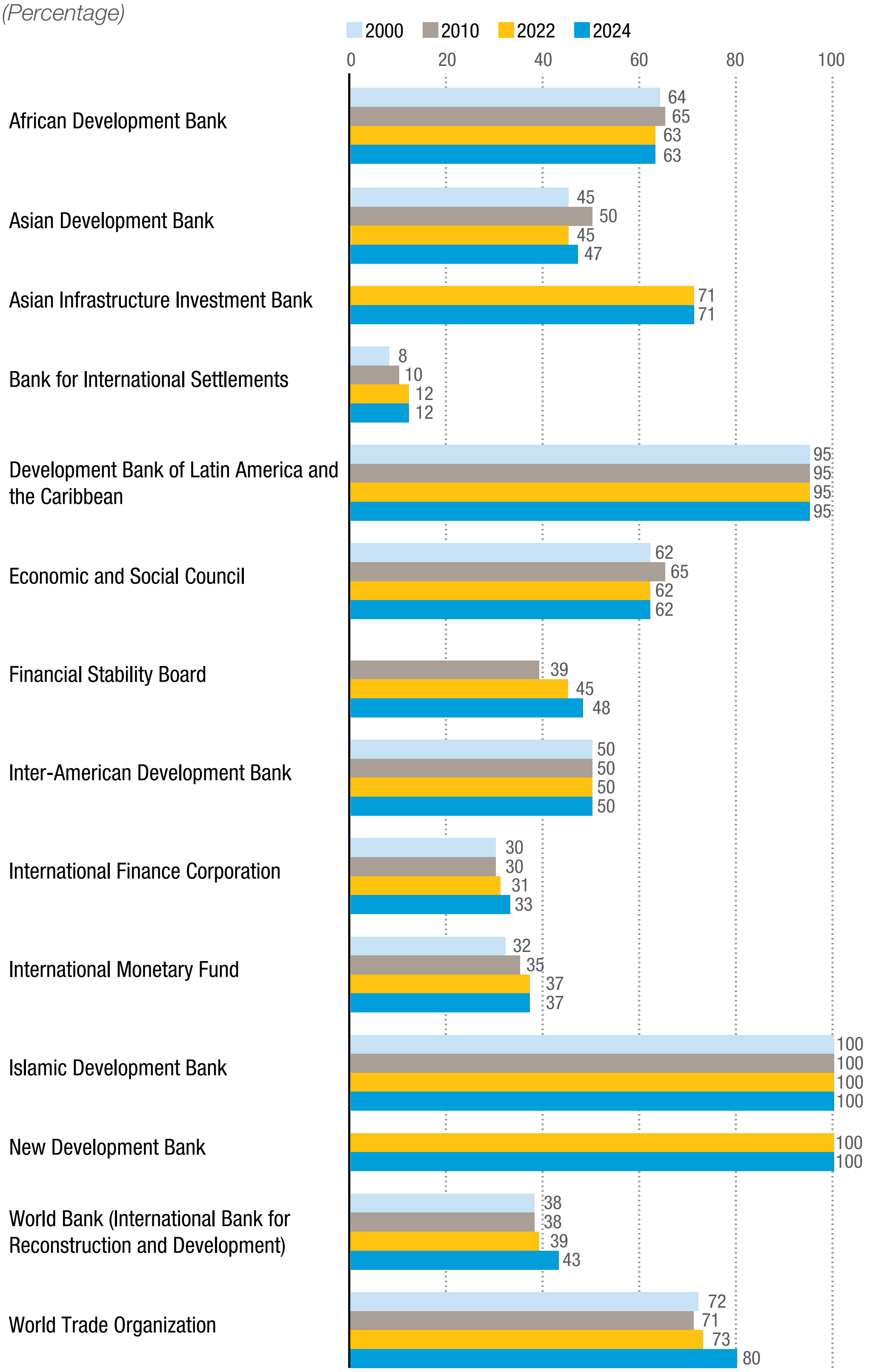
Source: UNCTAD based on United Nations (2023a), which contains more detailed lists of subactions.

Note: Yellow indicates actions and/or subactions to address the transversal challenges of climate and environmental sustainability.

Figure V.2
Developing country voting rights have shifted only incrementally in major economic governance institutions

Developing country share of voting rights by year and institution

(Percentage)



Source: UNCTAD based on the websites of respective organizations.

Given the constraints and costs of external funding, domestic revenue mobilization through taxes and other means remains the most sustainable source of financing for developing countries.[37] It is a central lever for developing State capacity and maintaining macroeconomic stability, enabling governments to make required investments independent of external sources. The 2030 Agenda aims to "strengthen domestic resource mobilization, including through international support to lower-income countries, to improve domestic capacity for tax and other revenue collection" (Garcia-Bernardo and Janský, 2024).

The international tax system allows significant corporate arbitrage opportunities, enabling tax evasion and avoidance.

Inadequate domestic financing in developing countries holds back progress, including on the Sustainable Development Goals. Many developing countries fall below the 15 per cent tax-to-GDP ratio that most experts agree is the minimum needed to reach the Goals. Especially in low-income developing economies, a narrower tax base, capacity limitations, the preponderance of shadow and informal economies, and governance challenges all play parts in weak domestic resource mobilization.

Asymmetries in negotiating positions over double taxation agreements have left many developing countries vulnerable to base erosion and profit-shifting activities.

While developing countries may not derive substantial revenue from cross-border income flows due to problems in mobilizing resources domestically, there are also concerns that current international tax rules are inadequate for their needs and constrain their ability to expand revenue sources in a globalized and digital economy. Tax authorities often lack tools and technical capacity (e.g. data, personnel and other resources) to adequately tackle BEPS challenges.

In addition, developing countries have fewer double tax agreements. Where such agreements exist and involve advanced countries, a common concern is that treaty negotiators have capacity constraints and asymmetries in negotiating positions that leave developing countries vulnerable to BEPS activities by multinational enterprises.

The current international tax system has provided multinational enterprises with significant cross-border arbitrage opportunities. Such practices, although typically viewed by enterprises and their international tax advisers as ethical and legal tax planning, are regarded by developing countries and non-governmental organizations as unethical and illegal. Tax administrations in developing countries are particularly concerned where multinational enterprises move "over the line" from legal regulatory arbitrage into abusive tax practices (Eden and Smith, 2022). Meanwhile, global profit shifting by multinational enterprises has been encouraged by the rapid growth in the number and sophistication of tax havens and financial hub structures (UNCTAD, 2022).

Estimates of losses due to tax avoidance in developing countries are varied and incomplete. While a United Nations Office on Drugs and Crime and UNCTAD (2020) conceptual framework helps to resolve definitional issues around crime-related illicit financial flows versus mispricing, measurement challenges related to primary data availability remain. Some methodologies are still being tested and refined.

Overall, recent estimates suggest that global profit shifting has severely hampered domestic resource mobilization, particularly in low-income developing countries. Wier and Zucman (2022), for example, estimate that over 2015–2019, nearly 40 per cent of the profits of multinational enterprises were booked in tax havens. Further, profit shifting reduced global corporate income tax revenues by 10 per cent, and the effective global corporate income tax rate fell by one third (Wier and Zucman, 2022). Chiari (2024) estimates that global tax revenue losses in 2019 were $480 billion

[37] On building tax capacity for development, some have argued that broadening the tax base and improving institutions in addition to international cooperation on taxing the profits of multinational enterprises would significantly improve domestic resource mobilization in low-income developing countries (see Benitez et al., 2023).

using statutory corporate income tax rates and $600 billion using effective rates.

A recent review of available case studies suggests that multinational enterprises shift up to 40 per cent ($600 billion to $1.1 trillion) of foreign profits to conduit countries such as Bermuda, the Kingdom of the Netherlands or Switzerland. While in absolute terms the United States suffers most from profit shifting, other advanced economies, such as France and Germany, lose up to half their profit base in this manner (Clausing, 2016; Torslov et al., 2023.

In relative terms, countries with lower incomes lose a larger share of total tax revenue due to profit shifting, even when their revenue losses in absolute terms are smaller. In particular, lower-income countries in Africa and Latin America tend to see more tax revenue disappear relative to total tax revenue. African economies lose a higher share than average. Overall, only a small number of countries gains any tax revenue (Garcia-Bernardo and Janský, 2024).

Corporate arbitrage, or strategic manoeuvring by corporations among different jurisdictional niches, compounds the challenge of revenue mobilization, as well as corporate accountability and transparency. Modern corporate arbitrage practices are widespread and wide ranging. They include regulatory, reporting, tax and accounting arbitrage. Liability avoidance techniques enable multinational enterprises to circumvent social and environmental responsibilities, often imposing the costs of external shocks and crises on the most vulnerable countries (Baines and Hager, 2021; Palan et al., 2023; UNCTAD, 2024). Moreover, corporate arbitrage enables enterprises to minimize their economic footprint in many developing economies. A recent study found that one quarter of the subsidiaries of the top 100 non-financial multinational enterprises in the global South engaged in no apparent associated economic activity (UNCTAD, 2022).

The phenomenon of illicit financial flows further compounds the challenges of revenue mobilization in the global South. Ongoing pilot studies of selected developing countries by UNCTAD find that extractive industries tend to be particularly prone to such flows through trade misinvoicing and profit shifting (table V.2). Examples include beverages, petroleum and ore in Burkina Faso, and precious metals and stones and electrical machinery in South Africa. Burkina Faso has found illicit financial flows in the gold sector with transactions involving Switzerland and Uganda. Nigeria examined profit shifting in the petroleum sector, revealing flows to tax havens. Early estimates suggest that illicit flows may total up to half of officially recorded trade.

Extractive industries are particularly prone to illicit financial flows through trade misinvoicing and profit shifting.

Lower-income countries lose a larger share of total tax revenue due to profit shifting.

Given these challenges, developing countries have long sought a United Nations-centred approach to international tax cooperation, one where they have equal standing. International tax cooperation at the United Nations is perceived as a key component for improving domestic resource mobilization, especially in low-income developing countries. The proposed United Nations framework convention on international tax cooperation is thus seen by many developing countries as part of rebalancing the international financial system so that it operates on a fairer basis.

The proposed convention is the first attempt to create a global multilateral framework for international tax cooperation. The current tax architecture relies on bilateral and limited multilateral agreements. While a range of global proposals for tax arrangements has been put forward, such as taxation of international currency transactions, the proposed tax convention is unique because it would bring international taxation under a comprehensive framework.

Table V.2
Early estimates suggest illicit financial flows may comprise up to 50 per cent of official trade in some economies

Unofficial preliminary estimated tax and commercial illicit financial flows (inward and outward), selected African countries

Country	**Year(s) covered**	**Period length** (Number of years)	**Estimation method(s)**	**Tax and commercial illicit financial flows as shares of official trade** (Percentage, annual average)
Ghana	2000–2012	13	PCM+ and PFM+	5.1
Burkina Faso	2011–2020	10	PCM+	10.5
Zambia	2012–2020	9	PCM	30.2
South Africa	2017	1	PCM+	32.7
Gabon	2010–2021	12	PCM+ and PFM+	50.5
Namibia	2018–2020	3	PFM+	57.1

Source: UNCTAD based on United Nations Economic Commission for Africa (2023).

Notes: This figure shows early unofficial estimates resulting from 2021–2022 country pilots using different methods to measure tax and commercial illicit financial flows from trade misinvoicing. Early estimates will likely be refined and extended by national authorities in the future. The methods used for estimations are the partner country method plus (PCM+) and the price filter method plus (PFM+). See the UNCTAD SDG Pulse for more information on efforts to track illicit financial flows, available at https://sdgpulse.unctad.org/illicit-financial-flows/.

C. The global South and the call for an international tax architecture

For more than 60 years, the OECD, led by the global North, has set the rules by which States tax multinational enterprises. Under these rules, profits have been allocated among countries through hundreds of bilateral tax treaties, usually called double taxation agreements. These agreements allocate taxing rights based on complex residence- and source-based principles, and price intercorporate transactions according to the arm's length principle.[38] The use of double taxation agreement networks to manage international tax relations came out of the work of the League of Nations in the 1920s (League of Nations, 2023).

Developing countries emerging from colonial rule in the 1960s and 1970s strongly expressed their need for a new and more equitable international economic order. In particular, UNCTAD and the Group of 77 and China were central forums for discussions of this issue. In the late 1960s, the Ad Hoc Group of Experts on Tax Treaties between Developed and Developing Countries was formed as part of the same debate.[39]

There have been many criticisms of double tax agreements, especially by developing countries. First, they are viewed as primarily preventing double taxation, where profits are taxed by both residence and source countries, with less attention paid to preventing double non-taxation, where enterprises use tax evasion and aggressive tax avoidance techniques to avoid paying taxes in either residence or source countries.

Second, double tax agreements are viewed by many as favouring capital-exporting (residence) countries at the expense of capital-importing (source) countries.[40] Third, the complexity of these agreements has created many tax loopholes that have fostered BEPS activities. In general, while the broad principle of preventing double taxation is valid, advanced economies have been the main beneficiaries of double tax agreements. Such agreements have not been a major driver of foreign direct investment in developing countries.

Over the last quarter century, developing countries have intensified their focus on international tax cooperation. As capital-exporting countries shifted from worldwide to territorial taxation, significant differences in tax rates and bases across countries provided many opportunities for sophisticated tax planning. With the

Double taxation agreements do not prevent double non-taxation and favour capital-exporting countries.

38 Historically, source and residence principles have determined which country (home or host) has the primary right to tax different multinational enterprise revenue streams (e.g. royalties and service fees). Where both countries have taxing rights (e.g. over foreign affiliate profits), the "first crack" principle gives the first taxing rights to the host country, with the home country (if it chooses to tax foreign source income) having to provide tax room through a foreign tax credit or deduction. The arm's length principle ensures that related party transactions and activities are priced based on what independent enterprises would have done under the same or similar facts and circumstances. See chapter 2 in Eden (1998).

39 Economic and Social Council resolution 1273 (XLIII) of 4 August 1967. As illustrated by the group's title, the focus was still on an international tax system managed through double tax agreements. Since 11 November 2004, the group has been known as the Committee of Experts on International Cooperation in Tax Matters (the United Nations Tax Committee).

40 Net capital exporters are usually assumed to be developed countries and net capital importers to be developing countries. In the twenty-first century, however, most developed countries have two-way foreign direct investment flows; many are net capital importers, in both stock and flow terms. Still, when considering flows and stocks between pairs of countries, with certain exceptions (e.g. investment hubs or tax havens), the net capital exporter is typically the more developed economy. Eyitayo-Oyesode (2020) argues that several articles in the OECD Model Tax Convention favour residence-based taxing rights and are therefore biased against developing countries.

international tax architecture riddled with loopholes, multinational enterprises used aggressive profit-shifting strategies to move profits into tax havens and investment hubs. The rising number of tax havens and offshore financial centres encouraged both legal and illicit capital flows, as documented by UNCTAD (2015).

In addition, the growing number of digital multinational enterprises and "industry 4.0" created a world of "scale without mass" built on automated digital services and transactions and hypermobile capital flows. These opened new paths to take advantage of BEPS opportunities (box V.2).

Box V.2
The OECD and the two-pillar process

The global financial crisis of 2008–2009 was probably the final tipping point in Governments realizing that multilateral, not bilateral, efforts were needed to counteract BEPS activities (Mason, 2020).

The OECD 2012–2015 BEPS project subsequently resulted in 15 action items to fill loopholes seen as primary BEPS factors. These items were designed, in part, to shift double taxation agreements from mainly preventing double taxation to also eliminating double non-taxation. The changes included country-by-country reporting and a new multilateral tax instrument, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. The latter was designed to apply alongside a country's existing double taxation agreements and to modify them by allowing signatories to adopt the action items without having to renegotiate agreements. Many Governments, including the United States, have not signed the multilateral tax instrument, however, and many signatories have opted out of key provisions.[a]

The OECD had left the first action item, on taxing the digital economy, for later work, but progress was slowed by the COVID-19 pandemic. Through its inclusive framework process[b] in the second BEPS round, the OECD and members of the Inclusive Framework have proposed to replace or overlay some current international tax rules with fundamentally different ones. A "two-pillar process" includes a new tax on the profits of the world's 100 largest multinational enterprises (Pillar One Amount A) and a new global minimum profit tax of 15 per cent on almost all multinational enterprises (Pillar Two Global Anti-Base Erosion Model Rules).[c]

The proposed new policies are significantly more complex and mostly untested. While some Governments have begun implementing the global minimum tax rules, there is no current agreement on pillar one, with criticisms centring on its complexity, non-compliance with existing international tax principles (e.g. the arm's length principle),

[a] Current information on signatories is in the OECD database on the multilateral tax instrument, available at https://www.oecd.org/tax/treaties/mli-matching-database.htm.

[b] The inclusive framework is an attempt by the OECD to overcome its "democratic deficit" by bringing in non-member countries to achieve consensus on these rules. Critics say the framework is flawed since it essentially works with a menu set by the OECD. Many developing countries, but not all, are framework members. See https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html.

[c] For example, pillar one replaces the arm's length principle with a global formulary apportionment; see Eden (2022). A second example is the income inclusion rule in pillar two, whereby the right to levy a top-up tax on undertaxed profits was given first to the residence country under the income inclusion rule, rather than following the "first crack" principle. While a domestic top-up tax was later added, which could be credited against the income inclusion rule, restrictions on the domestic top-up tax still tilt the balance in favour of residence countries.

Box V.2 **The OECD and the two-pillar process**

alack of clear benefits for developing countries and failure to adequately address the problems of taxing the digital economy. Moreover, the proposed OECD multilateral convention to implement pillar one is unlikely to be adopted, given its ratification requirements.[d] As a result, developing countries have viewed the second BEPS round with suspicion. Most are not OECD members and see themselves primarily as bystanders in the process.[e]

Source: Mason (2020).

d At least 30 countries representing around 60 per cent of ultimate parent entities of in-scope multinational enterprises under pillar one must ratify the convention. See https://www.oecd.org/en/topics/sub-issues/reallocation-of-taxing-rights-to-market-jurisdictions/multilateral-convention-to-implement-amount-a-of-pillar-one.html.

e See also the comments on problems with the effectiveness and inclusiveness of the OECD BEPS process in the report of the United Nations Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235).

D. Developing countries push for a United Nations-led convention

Dissatisfaction has continued to grow with the current international tax system as developing countries have sought to establish a process that would allow all countries to participate on an equal footing in decision-making related to tax. As far back as 2012, the Group of 77 and China, with the support of advocacy groups, have attempted, with limited success, to jumpstart an intergovernmental tax negotiation process at the United Nations.[41] For many years, the Group of African States advocated a United Nations-centred international tax convention. The United Nations Tax Committee has held regular special sessions at the Economic and Social Council on international tax cooperation.[42]

A key event was a 2015 proposal by developing countries for a United Nations body to address international tax cooperation as part of the Addis Ababa Action Agenda.[43] The proposal was not accepted but the United Nations agreed to further its efforts in international tax cooperation. In October 2022, the Group of African States proposed a United Nations General Assembly resolution on illicit financial flows that included creating a United Nations intergovernmental tax body. Some non-governmental organizations prepared early proposals for a framework convention.[44]

A breakthrough came when the Group of African States tabled a revised proposal

41 See the list of statements by developing countries calling for a United Nations-led process on international tax cooperation, complied by the Civil Society Financing for Development Mechanism in a database available at https://csoforffd.org/post/database-governments-supporting-an-intergovernmental-un-tax-body-and-or-un-tax-convention/. The 2012 statement by the Group 77 and China is available at http://www.g77.org/statement/getstatement.php?id=120727.

42 Special sessions go back at least to 2019; see https://financing.desa.un.org/ecosoc-special-meeting-international-cooperation-tax-matters.

43 The Addis Ababa Action Agenda of the Third International Conference on Financing for Development is available at https://sdgs.un.org/documents/ares69313-addis-ababa-action-agenda-thi-21093.

44 For two early proposals for a framework convention, see Chowdhary and Picciotto (2021); Ryding (2022).

that became resolution 77/244,[45] approved by the General Assembly without a vote on 23 November 2022. The resolution asked the United Nations Secretary-General to outline possible steps to strengthen the inclusiveness and effectiveness of international tax cooperation and invite interested parties to provide inputs. Multiple submissions were made by Member States, non-governmental organizations, academics, think tanks and the business community. The International Bureau of Fiscal Documentation (2023) and the International Centre for Tax and Development (Cadzow et al., 2023) prepared reports.[46]

The Secretary-General issued a report that concluded that the OECD inclusive framework two-pillar process did not take the needs of developing countries sufficiently into account, and emphasized the need for inclusiveness, where all countries could participate in agenda-setting, negotiations and decision-making (United Nations, 2023). The report noted that the decision-making process should be transparent and provide sufficient time for consideration of proposals and the preparation of positions. The report outlined and discussed three possible options for the United Nations to move forward on international tax cooperation: a forum for non-binding discussions, a binding legal framework convention and protocols or a comprehensive binding legal agreement. It invited input from outside stakeholders.

At the United Nations General Assembly meeting on 15 November 2023, Nigeria, on behalf of the Group of African States, proposed a draft resolution recommending the second option of a framework convention with protocols, along with the creation of an ad hoc committee to draft terms of reference for the convention.

Resolution 78/230 was adopted on 22 December 2023 with a vote of 111 to 46 with 10 abstentions; almost all developing countries voted "yes" and almost all OECD members opposed the resolution.[47] It established the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. It consists of a chair, 18 vice-chairs and a rapporteur;

©2Adobe Stock_ Miha Creative

[45] See United Nations General Assembly resolution 77/244 on the promotion of inclusive and effective international tax cooperation at the United Nations.

[46] The International Bureau of Fiscal Documentation report suggested adaptation of the BEPS minimum standards, simplification of other BEPS recommendations, improvement of the two-pillar solution and so on, essentially working within the OECD inclusive framework process. The International Centre for Tax and Development report focused on the capacity limitations of participating countries and other organizational issues.

[47] See United Nations General Assembly resolution 78/230 on the promotion of inclusive and effective international tax cooperation at the United Nations.

they together represent four members from each of the five regions in the United Nations system. The resolution requested the committee to consider simultaneously developing early protocols in specific priority areas, including tax-related illicit financial flows and taxation of income from cross-border digital services. The committee was asked to prepare the terms of reference by August 2024 and submit a report with them to the seventy-ninth session of the United Nations General Assembly in October 2024.[48] Diverse public comments were submitted on both resolution 78/230 and the agenda for the committee's first meeting.[49]

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

Framework conventions offer a useful, incremental approach to international lawmaking whereby Governments set up a general system of international governance on a particular issue and then develop more specific commitments and institutional arrangements through protocols (Bodansky and WHO, 1991). In effect, a framework convention creates an "umbrella" or "framework" that is a legally binding multilateral instrument, consisting of core components (e.g. objectives, principles and governance structure) that guide a variety of protocols with opt-in and opt-out clauses. The proposed framework tax convention is set up along similar lines.

Five priority areas for early protocols were identified in June and July 2024 draft terms of reference for the convention: taxation of the digital and globalized economy, taxation of income derived from cross-border services, tax-related illicit financial flows, prevention and resolution of tax disputes, and taxation of high-net-worth individuals. Four other areas were listed as possible subjects for future protocols: tax measures on environmental and climate challenges, exchanges of information for tax purposes, mutual administrative assistance on tax matters and harmful tax practices.

The August 2024 terms of reference reduced the list of early protocols to two, both from the original list: taxation of income from cross-border services and one other to be determined later; the list of other areas remained unchanged. The deadline for adoption of the convention was extended to 2027, with the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation continuing to meet at regular intervals. A vote to adopt the terms of reference passed based on an informal tally of 110 to 8, with 44 abstentions.[50]

2. Potential benefits for developing countries

Many developing countries see the proposed framework tax convention as part of their strategy to overcome the asymmetries of capacity and economic development in negotiating with advanced countries to achieve what they see as their fair share of revenues from international trade and investment flows. The convention, when viewed together with ongoing work

[48] The United Nations Tax Committee functions independently from the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. Members of the former serve on the latter in their personal capacities; however, many are now also representing their governments in the work of the Ad Hoc Committee.

[49] For comments on resolution 78/230, see https://financing.desa.un.org/un-tax-convention/inputs.

[50] See Travers (2024). The formal tally was released on 27 September 2024. The eight negative votes were the "five eyes" (Australia, Canada, New Zealand, United Kingdom and the United States) and Israel, Japan and the Republic of Korea. Most Western European countries switched from no votes in December 2023 on resolution 78/230 to abstentions in August 2024 on the draft terms of reference.

The framework convention can help build a more equitable, inclusive international tax regime.

at the United Nations Tax Committee,[51] could potentially bring together existing international tax relationships and guidance so that the benefits of past work are retained within the new framework. The framework convention and its protocols offer developing countries the opportunity to build a more equitable and inclusive international tax regime, one that can provide support to overcome capacity and governance challenges.

The OECD also offers some assistance on policy matters and works with the United Nations Development Programme to deliver capacity improvements in tax administration. Yet the OECD ignores, in the view of many observers, the development dimensions of tax and is often seen as overly concerned with detailed technical issues.

Developing countries tend to view the OECD inclusive framework process as essentially a forum for developed countries. While there are issues of common concern regarding taxation of the digital economy, perspectives and approaches differ. Developing countries also have different approaches to issues around illicit financial flows, while domestic resource mobilization targets are not a pressing issue in many OECD member States. The existing "competing frameworks", in the view of many developing countries, lack their informed consent and are influenced by the dynamics of bilateral relationships.

When evaluating the effectiveness of the proposed framework convention and, in particular, focusing on the policy space of developing countries envisioned by new norms, the following factors can be considered:

- **Inclusivity and representation.** The United Nations framework convention aims to be more inclusive, giving equal voice to developing and developed countries, whereas the OECD two-pillar process has been criticized for being dominated by OECD member States. Inclusivity is necessary to create a fairer, more democratic and effective global tax system.
- **Decision-making process.** The United Nations framework convention would likely operate on the basis of a majority vote by United Nations Member States, which may make it easier to adopt certain measures. The OECD inclusive framework approach officially seeks consensus decision-making but does move ahead where consensus is challenging (e.g. the proposed framework convention on pillar one).
- **Scope and focus.** The United Nations approach aims to place greater emphasis on issues important to developing countries, such as taxing profits earned on cross-border services and a larger role for source-based taxation; these topics have received little attention in the two-pillar process. Taxing automated digital services profits, for example, was part of the original pillar one proposal, but this was later replaced by a proposal to tax approximately 100 multinational enterprises. The United Nations Tax Committee, on the other hand, proposed adding an article to the United Nations model tax convention to enable source countries to levy a withholding tax on gross profits on digital services.[52]
- **Transparency.** United Nations negotiations are conducted with a higher level of transparency, with proceedings livestreamed and open to observers. OECD inclusive framework negotiations have traditionally been more secretive. Procedures have been established for interested parties (e.g.

[51] The negotiating body for the framework convention will be a subsidiary body of the United Nations General Assembly. While there will be no direct link between it and the United Nations Tax Committee, overlaps are likely, such as in terms of the so-called fast-track instrument as well as comprehensive technical guidance on transfer pricing, carbon taxation, taxation of extractive industries, etc. See the website of the United Nations Tax Committee at https://financing.desa.un.org/what-we-do/ECOSOC/tax-committee/tax-committee-home.

[52] The August 2024 draft terms of reference list taxing digital services as the first protocol to be developed under the proposed framework tax convention.

intergovernmental organizations, civil society, academic institutions, the private sector, etc.) to participate as observers in the Ad Hoc Committee's work on the terms of reference. Observers do not attend OECD inclusive framework meetings but consult separately.

- **Legitimacy and norm-setting.** Proponents assert that the United Nations has unique legitimacy for collective norm-shaping through an intergovernmental process that considers the needs of countries at different development levels. This is seen as superior to technical guidance from institutions such as the IMF or World Bank.
- **Addressing the failures of existing systems.** Advocates point to the failure of current OECD-led efforts to prevent BEPS activities and address the digital economy. They argue that a United Nations framework is needed to tackle these issues in the digital economy and mobilize resources for development more effectively. A United Nations-led approach could also restore original international tax principles such as the "first crack" principle.
- **Linking to broader goals.** Supporters highlight how a United Nations tax convention could link international tax policy directly to other commitments such as the Sustainable Development Goals, human rights and environmental protection.
- **Flexibility and gradual approach.** Proponents stress that the framework convention model allows for a stepwise approach, defining central objectives and mechanisms while allowing the system to develop more comprehensively over time. Multiple protocols under the umbrella of the proposed convention would be developed to handle specific areas, such as illicit financial flows.
- **Potential for progressive alliances.** The United Nations process could provide an opportunity for new alliances to form across traditional divides: for example, by bringing together developing countries and small open OECD member countries that are primarily host countries to inward foreign direct investment. Both share common interests with respect to the primacy of source-based taxes and the need for withholding taxes on capital outflows.
- **Legally binding nature.** The framework convention would be legally binding and could provide a more formal and enforceable structure compared to existing arrangements.
- **Capacity-building and technical assistance.** There are provisions in the terms of reference for the tax convention where it could potentially include mechanisms for enhancing domestic resource mechanism and building tax capacity in developing countries.
- **More attention to national sovereignty concerns.** The convention could provide a two-track mechanism, similar to Part IV of the General Agreement on Tariffs and Trade on special and differential treatment, with reduced commitments for low-income developing countries. In addition, the convention could allow "fast-track" mechanisms comparable to preferential trading arrangements under the General Agreement on Tariffs and Trade, whereby like-minded countries could deepen bilateral or regional tax integration as long as integration mechanisms do not unduly harm other convention signatories.

3. Key challenges in developing a framework tax convention

The United Nations faces multiple challenges in developing a framework tax convention.[53] Some advanced OECD countries, for example, the eight countries that voted against the August 2024 terms of reference, are resisting an ambitious

[53] On some of the challenges, see Choudhury (2024).

framework convention, preferring to maintain the dominant role of the OECD in setting international tax rules. They argue that existing mechanisms are sufficient and fear that a United Nations-led process might shift the balance of power towards developing countries, which could lead to rules that are less favourable to the interests of more developed nations.[54]

Several areas of disagreement between the OECD inclusive framework and the United Nations process can be identified.

- **Scope and focus.** There are differing views on issues the convention should address. OECD countries want to focus on less controversial topics, while countries of the global South are pushing for the inclusion of all relevant issues, even if previously addressed in other forums.
- **Potential duplication.** Critics argue that a United Nations-led process would duplicate existing efforts by the OECD, which has been the primary body for international tax cooperation since the early 1960s. The OECD has developed comprehensive frameworks and guidelines (e.g. the multilateral convention under the original BEPS round) that are already implemented globally. Supporters of the United Nations convention argue that this is the first time a legally binding framework on international tax cooperation is being negotiated in a truly universal and inclusive forum, and that no duplication as such exists. Rather than duplicating existing processes, they contend the United Nations process would leverage existing strengths while addressing gaps and weaknesses in the international tax system.
- **Risk of fragmentation.** Critics warn that if the United Nations addresses issues dealt with by other international organizations, there will be a risk of duplication and parallel frameworks: for example, one led by the OECD and another by the United Nations, which would fragment international tax rules. This would complicate compliance by multinational enterprises and potentially lead to inconsistencies in tax policy. Proponents, on the other hand, argue that the United Nations process would create a more coherent overall system and could incorporate and build on existing efforts in other forums. Moreover, developing countries stress that it is a matter of their national sovereignty in terms of where to apply their resources.
- **Allocation of resources.** Opponents contend that establishing a new framework would require significant resources that could be better utilized elsewhere. They argue that the financial and administrative burden of participating in another multilateral forum could detract from efforts to meet the Sustainable Development Goals and other critical initiatives. On the other hand, the advantage of negotiating at the United Nations is that each country's permanent mission can assist in negotiations.
- **Complexity and inefficiency.** Another criticism is that the United Nations process might add layers of complexity and inefficiency to international tax governance. The consensus-based approach of the OECD, while sometimes slow and often dominated by its largest member countries, is seen as more streamlined compared to the United Nations. Supporters argue, however, that the United Nations process is likely to produce simpler solutions that are easier to administer and geared to less-resourced countries and situations.
- **Expertise concerns.** Critics of the framework convention argue that the OECD has decades of experience in international tax policy, while United Nations expertise is more limited. The established track record of the OECD makes it better suited to handle complex

[54] The switch in voting of most OECD member countries from "no" on resolution 78/230 to "abstain" on the August 2024 terms of reference suggests that some OECD members may see potential benefits from a United Nations-led process. This might be the case, for example, for those that are primarily capital importers.

tax issues. Proponents, however, note that members of the United Nations Tax Committee and its many subcommittees, although they serve in their personal capacities, are primarily drawn from national tax and finance administrations around the world. Thus, the United Nations already has strong capabilities in terms of international tax experts who have worked together, often for years, on complex international tax issues and problems, especially focused on developing countries.

- **Balancing interests.** The United Nations must navigate competing priorities between advanced and developing nations to create an acceptable framework. Achieving consensus on tax matters is inherently difficult due to differing national interests. Some argue that the inclusive approach of the United Nations might make it harder to reach agreements, as it involves a broader range of stakeholders with varying priorities. If the United Nations is able to balance these competing interests and priorities, however, the stability of the international tax architecture should improve, which would benefit both Governments and the private sector. United Nations-based solutions are also likely to be more legitimate and successful over time.

4. In sum, two ways forward

Proponents view the proposed framework convention as a necessary, inclusive and potentially transformative approach to addressing longstanding issues in global tax governance that existing institutions and processes have failed to adequately resolve. While both OECD and the United Nations seek to improve international tax cooperation, the latter has a more inclusive and transparent process that is focused on and representative of the global South.

The traditional divergence between developing and developed countries on setting global tax policy norms continues, albeit now in a formalized setting. Greater inclusiveness may be achieved through intergovernmental discussions under the United Nations umbrella, and the prioritization of topics and agenda-setting will be subject to more voices and debate than is the case in the OECD inclusive framework process. The OECD secretariat's efficiency and speed in churning out documents in the inclusive framework process cannot be matched by developing countries, leaving many Governments with little time or resources to do more than place a "rubber stamp" on their review. Discussions in the United Nations General Assembly and at the Ad Hoc Committee's meetings in 2024 indicate that the United Nations process moves at a slower pace with more time available. Thus, while it may take longer and seem unwieldy, from the perspective of developing countries, there is a greater chance that new norms will be widely accepted.

The current negotiations suggest strongly differing views among United Nations Member States on several issues. This was, to some extent, predictable, given the long-standing preference by developed nations to use the OECD platform for dialogue on the global tax architecture. Overcoming these challenges will require careful diplomacy, compromise and a commitment from Member States to create a more inclusive system of international tax cooperation. The influence of broader geopolitical considerations, hitherto absent from tax dialogue, cannot be ignored, given current tensions in global trade and finance.

An important factor will be the position of upper-middle-income countries. Some are already major capital exporters, while others are beginning to see resident firms look for investment opportunities abroad. The importance of such alternative sources of capital is likely to increase at the current inflection point in globalization.

As trade and investment flows increase between the BRICS and other middle-income nations, and from such countries

> Although the United Nations process may take longer, it offers a greater chance that new norms will be widely accepted.

> The divergence between developing and developed countries on setting global tax policy norms continues in a formalized setting.

A key factor in United Nations tax negotiations will be the position of upper-middle-income countries.

The risks of double taxation and arbitrage could jeopardize domestic resource mobilization.

to the rest of the developing world, a tax framework agreed by countries on both sides of such flows would be more relevant. Among BRICS nations, China, India and South Africa have been strong voices on behalf of the global South in the work at the United Nations. Brazil has contributed significantly to specific areas.

The establishment of a framework tax convention would have major implications for global tax governance, potentially reshaping international tax policies and practices for decades ahead. The ongoing negotiations and the expected eventual adoption of the convention, together with protocols adopted both simultaneously and later on, will play crucial roles in shaping the future of international tax cooperation and reforming the financial architecture.

There are risks, too. There could be significant challenges if different regimes were to develop, in which tax relationships among the majority of countries are governed by the United Nations convention while OECD countries and some other high-income countries continue to subscribe to the two-pillar solution. The risks of double taxation and opportunities for arbitrage could affect both global trade and investment flows and jeopardize important domestic resource mobilization considerations.

This is particularly true in the case of consumer-facing and digital economy businesses, where the bulk of consumers are in developing countries. For example, the OECD Pillar One Amount A is designed not only to replace digital services taxes but also to punish countries that continue to implement them. The United Nations framework convention, on the other hand, is likely to include source-country taxation of digital services. The likely result of two different regimes for taxing digital services would be double taxation of the profits of multinational enterprises and reduced foreign direct investment.

E. Conclusion

By adopting a development approach to taxation, the proposed framework tax convention has strong potential to overcome current gaps in global trade and financial governance. It opens an important opportunity to reduce disparities in the international financial architecture and to embed mechanisms for domestic revenue mobilization in the economies of developing countries.

The success and efficacy of the proposed tax architecture will depend on policy cooperation among developing countries, their ability to capitalize on available technical expertise and knowledge networks within the United Nations, and constructive global North–South dialogue. Supported by other reforms discussed above, the convention could be a step towards a more development-conscious international financial architecture.

For this initiative to succeed in the quest for sources of long-term development finance, policy efforts in the global South also need to focus on the root causes of the inadequacy of public resources for sustainable development, including corporate arbitrage, financialization and the concentration of corporate power.

References

Baines J and Hager S (2021). Commodity traders in a storm: Financialization, corporate power and ecological crisis. *Review of International Political Economy*. 29:4.

Barrowclough D, Kozul-Wright R, Kring WN et al., eds. (2022). *South–South Regional Financial Arrangements: Collaboration Towards Resilience.* International Political Economy Series. Palgrave MacMillan Publishing. Basingstoke.

Benitez JC, Mansour M, Pecho M et al. (2023). Building tax capacity in developing countries. Staff Discussion Note (SDN/2023/006). International Monetary Fund.

Bodansky D and World Health Organization (1999). Tobacco Free Initiative: The framework convention/protocol approach. Technical Briefing Paper 1. WHO/NCD/TFI/99.

Cadzow L, Hearson M, Heitmüller F et al. (2023). Inclusive and effective international tax cooperation: Views from the global South. ICTD Working Paper 172. Institute of Development Studies.

Chiari A (2024). Revenue losses from corporate tax avoidance: Estimates from the UNU WIDER Government Revenue Dataset. *Review of Development Economics.* 28:600–629.

Choudhury H (2024). United Nations makes progress toward a framework convention on international tax cooperation. *Tax Notes International*. 114:1903–1906.

Chowdhary AB and Picciotto S (2021). Streamlining the architecture of international tax through a United Nations framework convention on international tax cooperation. Tax Cooperation Policy Brief No. 21. South Centre.

Civil Society Financing for Development Mechanism (2021). Database of Governments supporting an intergovernmental United Nations tax body and/or United Nations tax convention. Available at https://csoforffd.org/post/database-governments-supporting-an-intergovernmental-un-tax-body-and-or-un-tax-convention/.

Clausing K (2016). The effect of profit shifting on the corporate tax base in the United States and Beyond. *National Tax Journal.* 69:4.

Eden L (1998). *Taxing Multinationals: Transfer Pricing and Corporate Income Taxation in North America.* University of Toronto Press. Toronto.

Eden L (2022). The (not so) simple analytics of the new Amount A. *Tax Notes International* 107:16–20.

Eden L and Smith LM (2022). The ethics of transfer pricing: Insights from the fraud triangle. *Journal of Forensic and Investigative Accounting*. 14(3):360–383.

Eyitayo-Oyesode OA (2020). Source-based taxing rights from the OECD to the United Nations model conventions: Unavailing efforts and an argument for reform. *Law and Development Review*. 13(1):193–227.

Foroohar R (2024). The White House knows that the global South has a point. *Financial Times*. 23 April.

Garcia-Bernardo J and Janský P (2024). Profit shifting of multinational corporations worldwide. *World Development*. 177:106527.

Hawkins P and Prates D (2021). Global financial safety nets, S[pecial] D[rawing] R[ights]s and sustainable development finance: Can the options on the table deliver needed fiscal space? Project Policy Brief No. 10. UNCTAD.

International Bureau for Fiscal Documentation (2023). Promotion of inclusive and effective tax cooperation at the United Nations. Input paper provided to the United Nations Department of Economic and Social Affairs.

League of Nations (1923). *Report on Double Taxation Submitted to the Financial Committee of the League of Nations.* Economic and Financial Commission*.* Geneva.

Mason R (2020). The transformation of international tax. *The American Journal of International Law.* 114 (3):353–402.

Mühlich L, Fritz B, Kring WN et al. (2020). The Global Financial Safety Net Tracker: Lessons for the COVID-19 crisis – lessons from a new interactive dataset. Policy Brief No. 10. Boston University, Global Development Policy Center.

Mühlich L, Zucker-Marques M, Fritz B et al. (2022). No one left behind? COVID-19 and the shortcomings of the global financial safety net for low- and middle-income countries. Paper No. 05/22. UNCTAD. United Nations Development Account Project.

Mühlich L and Fritz B (2021). Borrowing patterns in the global financial safety net: Does governance play a role? *Global Policy.* 12(4):47–68.

Mühlich L, Fritz B, Kring WN, Zucker Marques M and Gaitán, N (2024). Global Financial Safety Net Tracker. Available at: https://www.bu.edu/gdp/global-financial-safety-net-tracker/.

Palan RH, Petersen H and Phillips R (2023). Arbitrage spaces in the offshore world: Layering, “fuses” and partitioning of the legal structure of modern firms. *Environment and Planning A: Economy and Space*. 55(4):1041–1061.

Rodrik D (2011). *The Globalization Paradox: Democracy and the Future of the World Economy.* W. W. Norton. New York and London.

Ryding TM (2022). Proposal for a United Nations convention on tax. Discussion paper. European Network on Debt and Development and Global Alliance for Tax Justice.

Torslov T, Wier L and Zucman G (2023). The missing profits of nations. *Review of Economic Studies*. 90(3):1499–1534.

Travers E (2024). Why the world needs a UN global tax convention. UN News. 16 August.

UNCTAD (2015). *World Investment Report: Reforming International Investment Governance*. (United Nations publication. Sales No. E.15.II.D.5. Geneva).

UNCTAD (2022). *Trade and Development Report 2022: Development Prospects in a Fractured World.* (United Nations publication. Sales No. E.22.II.D.44. Geneva).

UNCTAD (2024). *Digital Economy Report 2024: Shaping and Environmentally Sustainable and Inclusive Digital Future*. (United Nations publication. Sales No. E.24.II.D.12. Geneva).

United Nations (2023a). Reforms to the international financial architecture. Our Common Agenda. Policy Brief 6. July.

United Nations (2023b). Secretary-General’s remarks to launch the special edition of the Sustainable Development Goals Progress Report.

United Nations. Economic Commission for Africa (2023). Counting the Cost: defining, estimating and disseminating statistics on illicit financial flows in Africa. Addis Ababa.

United Nations, General Assembly (2023). Report of the Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations. A/78/235. New York.

United Nations Office on Drugs and Crime and UNCTAD (2020). Conceptual Framework for the Statistical Measurement of Illicit Financial Flows. Vienna.

Wier LS and Zucman G (2022). Global profit shifting, 1975-2019. NBER Working Paper 30673. National Bureau of Economic Research.