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

Intervention by Arnold Merkies on behalf of the CS FfD Mechanism and the Global Alliance for Tax Justice

I would like to say something about illicit financial flows.

As you might know the Netherlands is one of the world's largest conduit tax havens.

At SOMO we recently researched the income flows through Dutch conduit entities and found that last year they were rapidly increasing. Also the foreign direct investments remained very high. The Netherlands ranks second in the world in terms of in- and outgoing foreign direct investments, behind the United States. As you will understand, this is way out of proportion for a relatively small country like the Netherlands.

How is it possible that all these flows are as high as ever, while in 2015 we made the international agreement in Addis Ababa to substantially reduce illicit financial flows by 2030 with the aim to eliminate them. We're very far from achieving that.

The terms of reference we're discussing here builds on the Addis Ababa Action Agenda and it states that developing a framework convention will also help in accelerating the implementation of that agreement.

So it seems logical that addressing tax-related illicit financial flows was mentioned in the first version of the TOR for the objectives of the framework convention. And that it was suggested to develop an early protocol on illicit financial flows, simultaneously with the negotiation of the framework convention. So no time would be lost.

As NGO's therefore we were unpleasantly surprised that the text 'addressing tax- related illicit financial flows' was taken out of the objectives and we suggest to put those words back in the text. It is still mentioned in the section about the early protocols, so we would advise being consistent and include it in the objectives section as well.

We should not limit our focus to domestic resource mobilisation and capacity building, without looking at the bigger picture. We all know in this room that a lot of tax revenue is lost because of large-scale tax avoidance, by multinational enterprises setting up complex international structures.

If you only look at the countries that are affected by tax avoidance, it may seem like the only thing that needs to change are the practices of those countries. We all know that isn’t true. We know there is an urgent need to change practices in the countries that facilitate international tax avoidance structures and facilitate illicit financial flows.

Domestic resource mobilization and fighting illicit financial flows are inseparably linked to each other. This involves all countries, not just countries that suffer the consequences of international tax avoidance.

Therefore, I call on the Netherlands and other countries that benefit from being a conduit for financial flows to take responsibility and look at the bigger picture.

Please acknowledge that you can’t just leave out discussing illicit financial flows.

Also, please don’t hold up the process, by not wanting to talk about these substantive issues until all procedures have been discussed. We cannot afford to lose time, given the global challenges we face.