

# COMMITTEE GUIDE

**G20**



**Group of Twenty**

Rosario Carranza and Pedro Restrepo

**2021**

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## 1. Presidents' Letter

Honourable delegates,

We want to welcome you to this year's CCBMUN! Our names are Pedro Restrepo and Rosario Carranza, and we are currently eleventh graders at Colegio Colombo Británico. Both of us have been eager participants in the MUN for years, and this is our first time being presidents of a committee. We can both confidently say that the MUN has been essential to our growth and improvement, and as we take on the challenge of presiding over G20, we will work to make sure that this model is just as enriching for you.

This committee is based on the Group of Twenty, an international organization that gathers the leaders of 19 different countries and the leader of the European Union. The members of G20 control over 80% of the global GDP, signalling just how influential and important the decisions made by this organization are. G20 tends to focus on economic issues and preventing crises, and now more than ever - with the economic crisis brought on by COVID-19 - this organization's role as a global problem solver is essential. As a delegate in this committee, you will have the opportunity to represent one of these countries and work to find solutions for urgent global problems.

Understanding economic problems and finding ways to solve them is no easy task, but with good research, attention to this guide and comprehension of the technicalities of the issues, we have complete faith that you will be able to master these topics. After your time in the MUN is done, we are sure that you will have gained useful economic knowledge that will help you understand real-world issues more deeply. You will also have gained the skills to set your own opinions aside and to look at problems from a different perspective. We are very excited to have you in our committee, and if you have any queries regarding the model or the subject matter, do not hesitate to contact us.

We look forward to seeing you at CCBMUN XIX!

Yours sincerely,

Pedro and Rosario  
G20 Presidents

## **2. Committee Information**

### **I. History**

The G20, or Group of Twenty, is an international forum composed of 19 countries along with the European Union. The G20 members represent 85% of the global GDP, two-thirds of the world's population, and 75% of international trade. Its primary objectives are to prevent future international financial crises, shape the global economic agenda, and broaden the scope of international economic and financial cooperation. The G20 is the original G7 plus the BRIC nations that include Brazil, China, India, Russia, and other developing and influential countries with strong economies.

This forum started in 1999 as a meeting of the Finance Ministers and Central Bank Governors from 19 countries, plus the EU, in which they discussed economic and monetary issues. Following the 2007 Asian currency crisis and the global financial crisis in 2008, the urgent need for a meeting of the G20 was pressing. This is the reason why, in 2008, the Summit upgraded and began allowing the presence of heads of state and the presidents of the European Council and European Union in the main conference, as well as having a smaller summit for the finance ministers. From that moment on, the G20 was considered to be the most important forum for international economic cooperation.

### **II. Structure**

The G20 is formed by the following nations: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States, and the European Union. The European Union represents all the members of this organization, while allowing for the individual countries to represent themselves, with most presidents or heads of state being present at the main summit. In some other summits, these countries are represented by specific individuals who are chosen depending on the topics to be discussed.

### **III. Special Procedures**

In the real summit, resolutions are not voted on and don't have to be applied by the members in their own countries. In the model, every member will have a vote and the procedures will be the same as in every other committee. This applies to resolutions and all motions.

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### 3. Simulation: *The transition to clean energy in developing countries and its effects on their economies*

#### I. History/Context

When speaking of energy development, it is impossible to go without mentioning the industrial revolution. Ahuja and Tatsutani (2009) report found the following:

Between 1850 and 2005, overall energy production and use grew more than 50-fold—from a global total of approximately 0.2 billion toe to 11.4 billion toe (IEA, 2007). Most of this occurred in industrialized societies, which had come to rely heavily on the ready availability of energy. On a per capita basis, people in these societies now use more than 100 times the quantity of energy that was used by their ancestors before humans learned to exploit the energy potential of fire (UNDP, 2000, p. 3). (paras. 8)

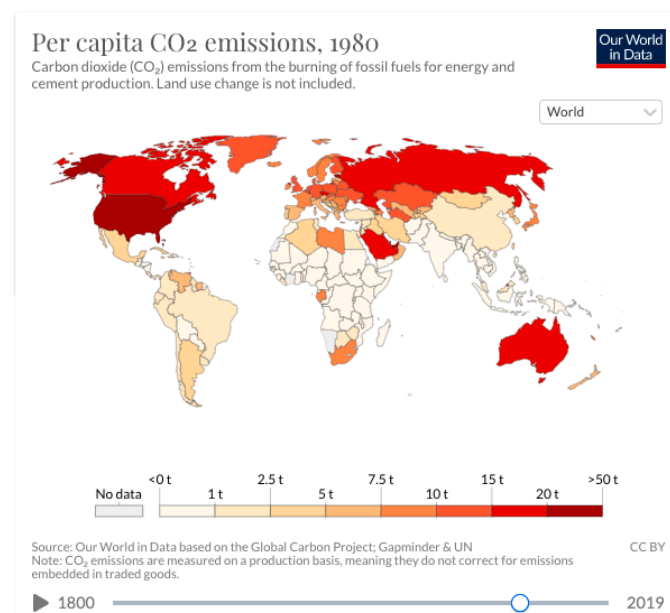


Image retrieved from: <https://ourworldindata.org/grapher/co-emissions-per-capita?time=1980>

In the last 4 decades before the year 2000, consumption of commercial energy increased dramatically in many developing countries. According to the same report, “Between 1970 and 1988, the developing countries’ share of global primary energy consumption rose from approximately 13 percent to about 30 percent” (paras. 27). Then, in 2005, developing countries accounted for a little over half of the world’s energy consumption. However, this

increase did not result in more equitable access to energy on a per capita basis, as the average per capita energy consumption in developed countries was over four times that of developing countries, and seven times that of Africa. That same year, the average citizen of a developed country used 8,365 kwh of electricity, while in China the average was 1,802 kwh, 1,695 kwh in Latin America, and 563 kwh in Africa. The 2009 report adds:

In fact, although it has been estimated that developing countries were spending as much as \$40 to \$60 billion annually on electricity systems by the end of the 20th century (G8, RETF, 2001), approximately 40 percent of the population in these countries remained without access to electricity. This means that the number of people throughout the world who had no access to electricity has hardly changed in absolute terms since 1970 (UNDP, 2000, p. 374). (paras. 29)

Seeing these facts, it is unsurprising that, in 2009, nearly 90% of households that lacked access to electricity were located in rural regions of developing countries. With this in mind, it is logical that the immediate priority of most developing countries would be to expand access to energy, regardless of the type of energy used. This is hard to refute, and it should be mentioned that for many of the years between 1850 and 2005, now-developed nations were exploiting developing nations for their fossil fuels, thus helping them to gain the economic advantage that they enjoy nowadays. Considering that fossil fuels are still the cheapest way to power economic growth and expand access to energy, it's obvious that developing countries would have a hard time dismissing them.

## **II. Current Situation**

In recent years, the world-wide tendency to a transition towards green energy has been growing exponentially, and the problems for developing countries have increased even more. The most developed nations are putting pressure on developing nations to make the switch as well, in order to have a useful impact on the environment. However, these countries don't have the resources needed to do this. In fact, countries such as India still struggle to provide a stable source of energy for their population as it stands, which means that switching to a more expensive source of energy, such as solar panels or wind turbines, is not viable.

Despite these complications, renewable energy production has surpassed the capacity generated by fossil sources in developing countries, which proves that 100% green energy worldwide is a tough but realistic goal.

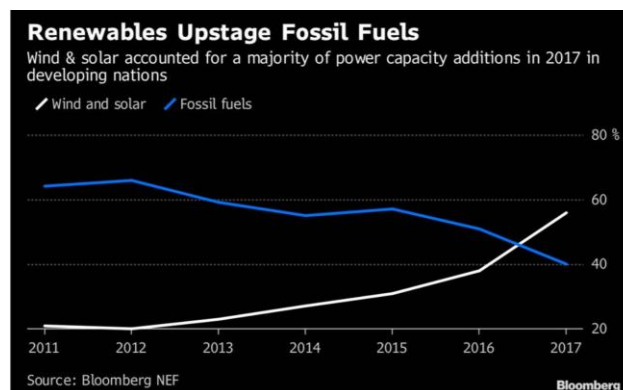


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In fact, the change to renewable energy sources has been so fast and radical that in 2017 only, developing countries' "carbon neutral energy capacity" went up to 114 GW. This is truly outstanding when you look at developed countries, which were at 63 GW.

The following graph shows the top countries' renewable energy development scores:

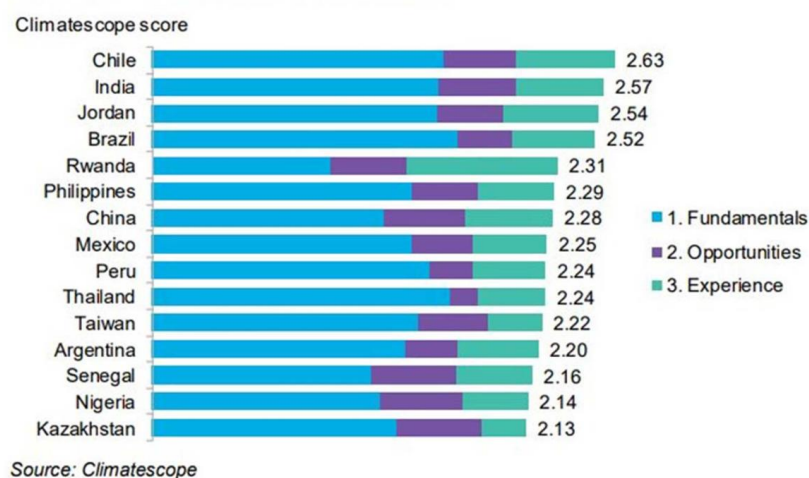


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This huge energy renewal revolution happened due to the sheer amount of development



projects happening in these countries. It's important to point out that most of these projects were financed by large European organizations such as Enel, who provided 7.2 billion dollars for these projects. But the great news is that, as more resources are used towards renewable energy investigation, the costs are also on a downward trajectory. This means that, in most cases, renewable energy is much less costly than the fossil alternatives (even without subsidies), making them a very attractive prospect for developing countries. In fact, making the switch to renewable energy worldwide by 2050, would cost around 73 trillion dollars, but according to a report made by Stanford University, this expense will pay for itself in under seven years.

In 2019, a study made by the US Energy Information Administration predicted that solar and wind power would dominate 2020. According to their investigation, these forms of energy would make up 76% of new energy generation and would add 42 gigawatts of zero-emission production. On the other hand, non-renewable energy such as coal and natural gas would be the energy sector with the highest retirement rates, with up to 85% of them ceasing production.

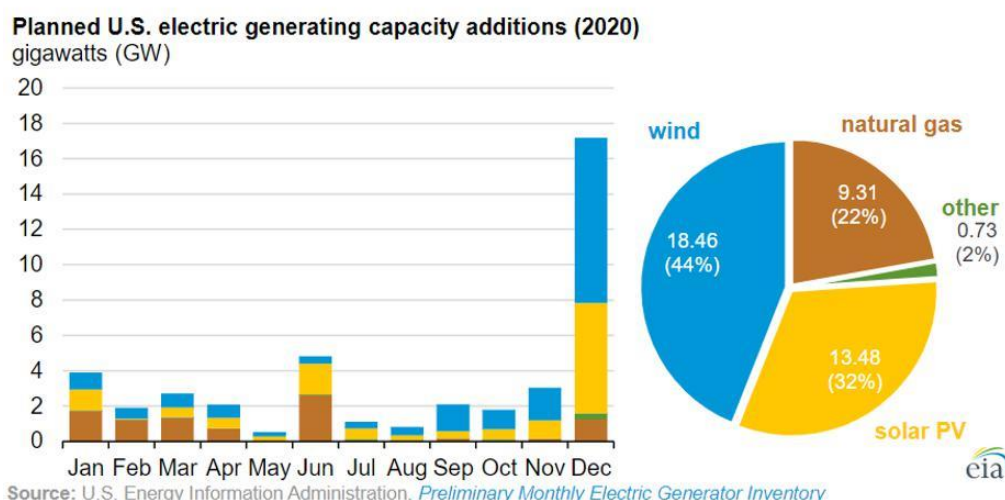


Image retrieved from: <https://www.forbes.com/sites/energyinnovation/2020/01/21/renewable-energy-prices-hit-record-lows-how-can-utilities-benefit-from-unstoppable-solar-and-wind/?sh=4d6b3a762c84>

All this sounds great, but it's important to remember that this was just a prediction, and reality turned out to be completely different, with the COVID-19 pandemic being a major factor of this irregularity. Almost 2 years later, we don't know how accurate these predictions are because COVID-19 is still taking a huge toll on the world's economy.

Although these numbers may look very promising, there's still a long way to go, and it doesn't mean that fossil fuels are going to disappear overnight. They're still an extremely profitable business, but now renewable energy alternatives are becoming equally important.

However, while economics are the main reason to delay the change to renewable energy, other factors such as territory and infrastructure still need to be taken into consideration, and may be delaying development in some countries. For example, a country may have the economic resources needed to finance a renewable energy project, but they may lack the territory needed to implement solar or wind energy plants, or the electrical grid may not be up to the challenge of supplying a high percentage of the population in a new way or through different methods.

### **III. Key Points of the Debate**

- Best clean energy alternatives for developing countries.
- The effects of transitioning on different nations' economies.
- Ways of using this change towards clean energy to boost the economies of developing countries.
- The role of foreign aid, more economically developed nations, and international organisms in regards to solving this problem.
- The consequences of both shifting to cleaner energy and opting not to transition.

### **IV. Participating Organisms**

- IRENA (International Renewable Energy Agency)
- Ceres
- RE100

## V. Guiding Questions

1. What kind of energy does your country use?
2. What percentage of your country's population has access to electricity?
3. Is your country making the transition towards clean energy? Is it a priority?
4. How much does your country invest in electricity infrastructure?
5. Has your country received foreign aid to make the transition towards clean energy? If it has, did it come from IRENA?
6. Does your country's economy depend on oil, natural gas or coal?

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#### 4. Topic 1: *The unequal distribution of COVID-19 vaccines and its effect on the global economy*

##### I. History/Context

Vaccination or some similar forms of inoculation were common traditions in Chinese and Mongol communities, even as far back as the 16th century, but only became regular in the west in the 18th century, when Edward Jenner created the first smallpox vaccine and it became a widespread practice. Since then, vaccination has become the main method used to debilitate or eradicate viruses such as Covid variants. Some of them, such as SARS and MERS, were very famous during their outbreaks but became almost irrelevant after a few months. Then, for the first time in almost 100 years, the world experienced a pandemic which has killed more than 4 million people worldwide, COVID-19.

Ever since the virus started to become a global concern, laboratories started to work on a vaccine, the first of which was released in December, 2020. This was seen as an important achievement, since the world had suffered with Covid's effects for almost one full year, and the vaccine seemed to be the ultimate solution. Nevertheless, there has been an increasing amount of scepticism around them since they were rolled out. Some people believe that vaccines are the answer to our problems, while others struggle to trust the organizations involved in their creation. Many people around the globe have been very vocal about their concerns with the vaccines, their true purpose, and their side effects.

Considering the world's situation last year, laboratories tried to accelerate the testing process of the vaccines, which led to conspiracy theories and widespread outrage about the long-term effects of these vaccines. Some cultures have also clashed with the usage of vaccines to fight the virus, as some people believe in alternative medication and argue against mainstream forms of healthcare, arguing that they are unnatural or dangerous.

This has led to situations such as Tanzania's, where their former president, John Magufuli, was a prominent vaccine sceptic, and where vaccines had almost been prohibited in the country. However, Mr. Magufuli died in March 2021, with opposition parties citing the cause of death as COVID-19. Tanzania's new president, Samia Suluhu, has recently started a weak

vaccination campaign, as she is still not fully convinced about their safety. Situations such as this could have global ramifications, as some experts say that the virus could mutate and new variants could be born. These could be deadlier, or could develop immunity against the vaccine, and could therefore worsen the pandemic's effects around the world.

According to the World Bank, countries with fast vaccination rates such as the US and China have been able to make a faster recovery from the pandemic's effects on the economy, since reactivation of production was facilitated by vaccines. Taking into account that countries with a larger purchasing power were able to acquire vaccines earlier than developing countries, this has widened the gap between the world's largest economies and the smaller, growing countries. This could have serious consequences for the world to move forward, as those in the line of poverty have been affected the most.

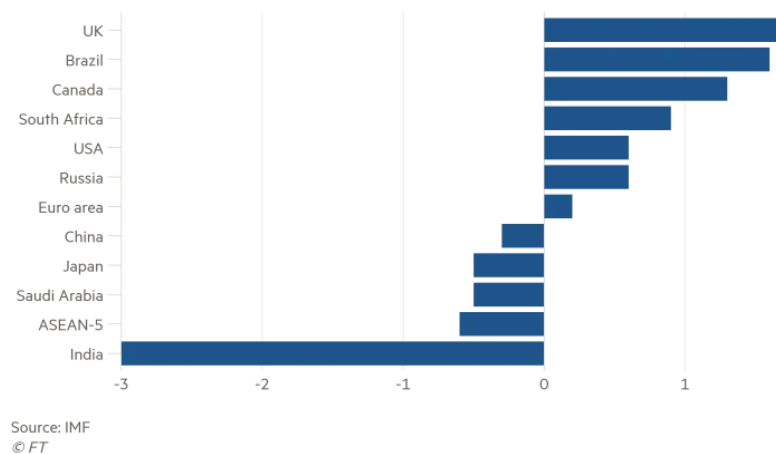
## **II. Current Situation**

Because of the effects of COVID-19, the world economy is expected to have contracted by 3.5% in 2020. According to a study published by the National Bureau of Economic Research, making sure the world's population is vaccinated is an essential step to reinvigorating the economy. However, developed countries have had far more access to vaccines than developing ones. Of the 832 million vaccine doses administered, 82% have gone to high or upper-middle-income countries, while only 0.2% have been sent to low-income ones. In developed countries alone, 1 in 4 people have been vaccinated, which contrasts greatly with poorer countries, where the ratio is 1 in 500. Although the COVID-19 virus attacked every part of the world, it is evidently clear that there is a marked inequality in the recuperation of countries depending on their economic status. As of July 2021, thousands of COVID vaccines in the United States have expired, while Haiti only received its first delivery of 500,000 doses on July 15, a tiny amount for a population of over 11 million. Canada is in ownership of more than 10 doses per resident, whilst in Sierra Leone the vaccination rate only just reached 1%. While the IMF has increased the forecast for advanced economies' output by 0.5%, the forecast for emerging and developing economies was cut by 0.4%, an outlook that is particularly grim in South Asia. They went on to say:

*“Vaccine access has emerged as the principal faultline along which the global recovery splits into two blocs, some countries can look forward to further normalisation of activity later this year, but many others still face resurgent infections and rising Covid death tolls.” (WORLD ECONOMIC OUTLOOK UPDATE JULY 2021 Fault Lines Widen in the Global Recovery, 2021)*

**Pace of vaccine rollouts fuels divergent economic prospects**

Change from IMF April 2021 forecast to July 2021 forecast (percentage points)



The economic cost of vaccine inequality had already been predicted by the National Bureau of Economic Research study, which found that even if advanced economies were universally vaccinated, but only 50% of the population in developing economies was vaccinated, the global economic costs could be between 3.8 and 9 trillion dollars, and over half of these costs would be borne by advanced economies. That is to say that developed countries' focus on vaccinating their own population won't save them from paying for the consequences of the lack of vaccination in developing countries.

The unequal vaccine rollout has already started to cost the world economically. Advanced economies' dependence on labour from developing countries is a weak spot that is proving the need for vaccines to be distributed to countries that need them. While the crowded factories of Asia seemed curiously immune during the beginning of the COVID-19 pandemic, there has been a surge in cases that has forced manufacturing plants to halt production. This is putting a strain on the workforce, just as demand is beginning to rise in advanced economies where people are already enjoying a return to normal daily life.

Another topic that has entered the conversation of vaccine inequality in recent months, due to the appearance of powerful COVID variants (such as the Delta variety and the Lambda variety), is the conflict surrounding booster shots. Several developed nations have decided to administer additional shots to people who are already fully vaccinated, a decision which has not gone down well with WHO. At a media briefing, WHO Director, General Tedros Adhanom Ghebreyesus, said: “We cannot and should not accept countries that have already used most of the global supply of vaccines using even more of it while the world’s most vulnerable people remain unprotected” (Taylor, 2021). It is natural for national leaders to focus on their country’s population first and foremost, but experts’ worries about how booster shots could upend the already unfair distribution of vaccines are just as valid. Although administering boosters might appear to be what’s best for a country at first glance, experts have warned that failure to vaccinate developing countries allows the virus to circulate and develop variants, which end up threatening the already vaccinated. It is also worth taking into account that booster shots are something that drug companies have been arguing in favour of, and the \$11 billion to \$37 billion market that booster shots represent probably has something to do with those companies’ positions.

The COVAX initiative, created in 2020 and run by organizations such as the WHO and UNICEF, seeks to make Covid vaccines more available around the world, with the most developed countries donating and subsidizing costs for developing countries. Its goal is to have provided 2 billion doses by the end of 2021, and by 2022 to have provided 1.8 billion doses to 92 countries with low or medium incomes. The initiative has received a lot of criticism for being slow with its vaccine roll-out. This has been blamed on a variety of circumstances: the vaccines promised by developed countries have come into COVAX in small quantities, and often at the last minute, with very little time left before they expire, making it very hard to deliver them to the countries that need them; a lot of the pledges made by developed countries haven’t materialized into actual doses; COVAX’s largest supplier, the Serum Institute of India, suspended vaccine exports in March due to outbreaks and only restarted exports on October 14; and many of the recipient countries don’t have the infrastructure to make use of the delivered vaccines. The last issue, relating to the lack of health infrastructure, has proven particularly complicated for countries seeking to donate or receive Pfizer shots. Pfizer vaccines require storage at a temperature of -70 degrees Celsius and need to be diluted with

saline before injection. However, only 1/4 of the 100 developing countries that are eligible for Pfizer donations have received ultra-cold freezers, which risks vaccine shots going to waste. This has been intensified by the fact that there is a lack of clarity about the vaccines being delivered; for example, in Nigeria a donation of Moderna shots was supposed to only constitute 1 million doses, but they have been notified that 4 million are going to arrive at once, and African officials have expressed worry that these vaccines might go to waste.

Many developing countries have called for a waiver on the TRIPs agreement for intellectual property rights on the COVID vaccine, in order to allow manufacturers in other countries to make them and facilitate the rollout. The proposal has been supported by the United States government, but it bears mentioning that they have only offered support for a waiver on the vaccine, while developing countries like South Africa and India want it to cover other COVID-19-related medical products such as therapeutics and personal protective equipment. The discussion regarding intellectual property rights is likely to be a bit of a longer path towards working on vaccine inequity, and other more immediate actions are needed to help developing countries. The G7, for one, has recently pledged to donate 850 million doses, which is a good start, but nothing compared to the 11 billion doses that WHO says the world will need to end the pandemic.

In the face of this vaccine inequity, many developing countries have opted for different methods of dealing with COVID-19. Peru, Paraguay, several regions of India, and South Africa, among others, have all used Ivermectin to prevent and treat Covid. This is at odds with the WHO, which has warned that there is insufficient evidence to support that Ivermectin is useful at treating the virus, which is, in turn, at odds with the conclusion of the British Ivermectin Recommendation Development (BIRD), a panel of experts that found that the medical substance was safe and good for treating Covid. For both sides, it is hard to see how much of it is true, and how much is the result of companies lobbying. For the vaccines pharmaceutical companies have already made exceptional profits from the sale of the COVID vaccine to governments. According to Pfizer's own reports, the vaccine made them 3.5 billion US dollars in only the first 3 months of 2021. With these interests in mind, it is clear why these companies are lobbying for booster shots, even in the face of the WHO's and MSF's (Doctors without



Borders) pleas to focus on vaccinating developing countries, and why some developing countries are opting for alternatives to the vaccine.

### **III. Key Points of the Debate**

- COVAX's effectiveness
- Percentage of vaccinated population in developed and developing countries
- Developed countries' over-purchasing vaccines
- Ethics of administering booster shots in developed countries before developing countries can get hold of the vaccines
- The infrastructure needed to store and apply vaccines
- Intellectual Property rights on vaccines and how they are affecting prices
- Reactivation of economy in relation to the percentage of vaccinated population
- Alternatives to COVID-19 vaccine programmes

### **IV. Participating Organisms**

- The World Health Organization (WHO)
- The International Monetary Fund (IMF)
- The World Trade Organization (WTO)
- COVID-19 Vaccines Global Access (COVAX)

### **V. Guiding Questions**

1. How is your country doing in terms of vaccine quantity? Is your country deprived of vaccines? If so, why?
2. What percent of your nation is vaccinated? How long will it take for your country to be vaccinated to herd immunity at this rate?

3. For developed countries: Has your country done anything to prevent developing countries from receiving vaccines? Has it done anything to help developing countries get vaccines?
4. For developing countries: Does your country have enough vaccines? If not, what has prevented your country from receiving them?
5. For developed countries: Is your country considering administering booster shots?
6. For developing countries: Even if you receive vaccines, does your country have the infrastructure and capable people to store, transport, and apply them?
7. What is your country's stance on waiving Intellectual Property rights on vaccines? Why?
8. How would your country be affected if lower access to vaccines in developing countries reduces their workforce?
9. Has your country implemented alternative strategies to the vaccination programme which have been effective?

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## 5. Topic 2: *The 'Global race to the bottom' in corporate tax rates*

### I. History/Context

International corporate taxation has become a problem to governments around the world for the last few decades. For starters, corporate taxation is the government's tax on a company's profits. Like other types of taxes, these are usually set independently by the government of a country, and due to things like deductions, tax loopholes (ways companies manage to legally get around paying a certain amount), and subsidies, the rate a company pays is usually lower than the official one set by a government. One of the ways companies get around having to pay a lot in corporate taxes is by shifting their profits to a "tax haven", which is a term to refer to a country that has set their corporate tax at a very low rate, therefore making it very attractive to companies seeking to keep as much money as possible. This practice is called "offshoring", as companies are setting up part of their shop "offshore" from the country of origin - businesses that do this receive the name of "offshore" companies".

Over the last half-century, this has become extremely complicated, with multinational corporations and, in more recent times, informal employees, making the job even more difficult. This has led organizations such as the EU to create standardized laws and regulations regarding corporate tax rates. But the trends show that the system of offshoring has only been growing - when one country makes a tax policy that attracts foreign money, other jurisdictions do the same, thus triggering the "race to the bottom". This is the phenomenon of countries lowering their corporate tax rate even further to outdo other countries and to draw the business of companies. According to the IMF, this is seen in the dramatic decline of average corporate tax rates; in 1985 the average was 49% while today it's 24% (they've decreased by half in less than 40 years). In regards to US companies, specifically, the percentage of a company's gross profits that is "offshored" has gone from 5% (what it was in the 90s) to over 25% nowadays.

For better clarity on the context, it's useful to review some examples. Most of the largest and most famous corporations in the world use tax havens to avoid paying full taxes; Apple is estimated to have \$214.9 billion dollars overseas, specifically in Ireland. There, they got to

pay the 12% rate rather than the American 21% - if the profits stayed within the United States, Apple would owe the US government around \$65.4 billion dollars. Nike is another example; they have around \$10.7 billion in tax havens, and they would have to pay around \$3.6 billion in taxes to the US government if they didn't take advantage of "offshoring" (numbers were taken from the Corporate Finance Institute).

Naturally, the countries that have local companies moving their profits outside of the territory's borders have never been particularly happy about this. The United States has been particularly affected by this, as most large companies using tax havens are originally businesses from the U.S. However, these tensions came to a head during the last year for two principal reasons: First, COVID-19 put a strain on government's budgets, leading them to focus more on keeping companies from shifting profits; secondly, the United States specifically got a new president with a more demanding agenda and need for funds. Along with the US, the countries that lose the most money due to tax havens and "offshoring" are France, Germany, and the UK. The great majority of the countries losing a lot of money to this phenomenon are developed countries, as can be seen in the following graphic map:

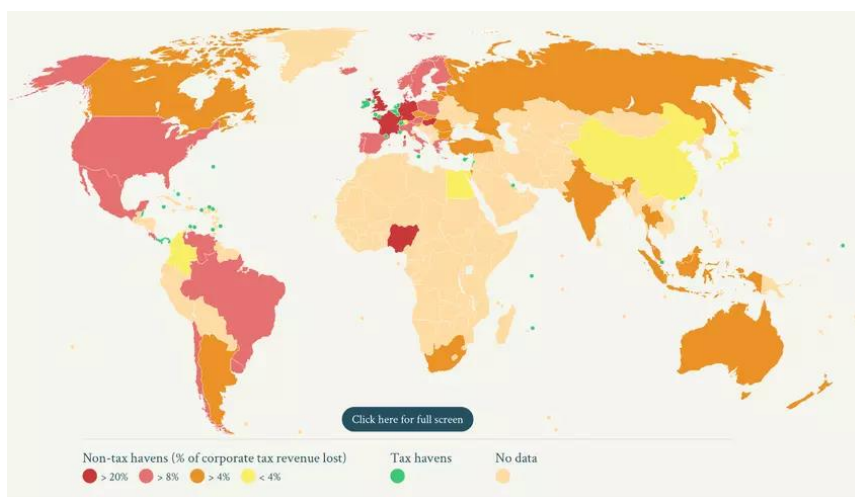


Image retrieved from: <https://www.weforum.org/agenda/2020/02/how-do-corporate-tax-havens-work/>

## II. Current Situation

After Joe Biden was elected president of the United States, the cogs started turning for a change in corporate taxes around the world, as people were expecting him to overturn the policies made during the Trump Administration. This was confirmed in April of 2021, when the appointed US Treasury Secretary, Janet Yellen, proposed the idea "to raise the global

minimum tax and to close tax loopholes that allow American corporations to shift earnings abroad,” (Cox, 2021) in an interview with the Wall Street Journal. This direction for the new US administration makes sense, as President Biden’s agenda calls for much more government spending than the previous administration. However, the reasons Yellen gave for cracking down on the practice of “offshoring” (relocating a business and outsourcing operations to overseas territories, usually to reduce the taxes paid by the company) aren’t wholly US-centric, as she explained in the same interview:

*“We are very actively engaged with other countries to end what has been a global corporate tax race to the bottom, I fear this race to the bottom globally with respect to corporate taxes is depriving economies of the revenue they really need to invest in infrastructure, education, research and development and other things to spur growth and also impact corporate competitiveness.” (Cox, 2021)*

Whether Yellen’s argument is a façade or not is hard to say. Although there is not a defined consensus, economists do generally agree that reduced corporate taxes in developing economies are of more benefit to the shareholders than to the actual countries where the investment is being made. According to The Economist, for a lot of developing countries this lowering of corporate tax rates comes from a thirst for revenue in general; this is due to the fact that, because of things such as large informal sectors and lack of accessibility, these developing countries collect a lot less revenue from other kinds of taxes than developed countries.

The graph below visually plots the relationship between the GDP of a country and the tax revenue that they receive, and it points out the staggering difference between how much in taxes high-income countries are able to collect in comparison to those with much lower GDPs (Bachas et al., 2021):





G20, these two forums don't *have* to align by default) and signed by 132 of 139 members of the OECD.

Without measures to balance the global tax rate and to prevent offshoring, situations like the following are habitual; from 2012 to 2017 Apple, Google, Facebook, Cisco and Microsoft made an estimated £30bn from UK customers, but by shifting this profit overseas, they paid just £933m in UK taxes between them (around 3% rate). To fight this kind of situation, the OECD has estimated that this new proposal to reallocate could produce around 150 billion dollars in global tax revenues annually. This sounds like a lot of resources; however, the OECD has estimated that it would raise the corporate tax revenue in developing countries by around 1%, which isn't so much.

For more clarity on this, the Independent Commission for the Reform of International Corporate Taxation (ICRICT) and the Tax Justice Network (TJN) estimated that of the monetary resources produced by this new plan, 60% would go to the G7 members and other developed countries, while the remaining 120 nations would have to divide the last 40%, and Latin America would only receive around 3% of it. In clearer terms, according to the previous estimates, while the United States would receive 83 billion dollars in extra tax revenue, Peru would only receive 471 million - the US government would make 176 times more than the Peruvian government. All in all, advanced economies are those expected to benefit the most. This wasn't totally unknown during the negotiations, but the problem was that developing countries didn't have much of a voice; even Brazil, which is a G20 member, doesn't have a right to vote in the OECD, and Argentina (another member) publicly defended its position that the global minimum tax rate should be above 21% (which was what the US government had initially proposed, but that the World Bank warned against for being too high) before having to settle for the framework proposed.

As of September of 2021, the corporate tax reform has been approved by the OECD, G7, and G20, but there are still complications. Nine countries have refused to sign the proposal, these being Peru, Barbados, Saint Vincent and the Grenadines, Sri Lanka, Nigeria, Kenya, and the EU members Ireland, Estonia, and Hungary. The last three are particularly important as, for new tax policies to pass in the European Union, they must be supported unanimously, and having these three members against it could derail the whole proposal.

With corporate tax rates of 12.5%, 14%, and 9%, respectively, Ireland, Estonia, and Hungary seem to be way out of line with the new economic direction of most countries. For these countries, lowering their corporate tax rates has been one of the elemental parts of their plans to attract more companies to provide jobs in their countries. In Ireland, for example, the economy has boomed in recent years thanks to the economic resources invested by foreign multinationals, and the Irish government has spent years resisting attempts to harmonize EU tax policy. On the African line, Nigeria has refused to participate in the deal because it considers that it does no good to most African countries (and most developing countries, for that matter) as it is too low, and most of them have a corporate tax rate above 20% (Nigeria's is 30%) -- this aligns with the concerns of several other developing countries before they settled for the OECD deal. Another one of their concerns is that the deal will only be revised in 7 years, which they consider is too long. One of the key parts on the road for this new policy to be implemented is to negotiate with these holdout countries in order to reach conditions that they can agree with.

### **III. Key Points of the Debate**

- How countries that may benefit from low corporate tax rates can also benefit from a new global corporate tax rate.
- The exemptions that countries may need to fully agree to the new rate.
- How much money countries are losing through low corporate tax rates.
- How a global corporate tax rate can be implemented in a way that will work towards countries' development.
- The improvements that can be made to the deal to make sure it benefits developing countries instead of just developed ones.
- The monetary benefits that different countries will receive if the new global corporate tax rate is implemented.

#### IV. Participating Organisms

- Organization for Economic Cooperation and Development (OECD)
- The European Union (EU)
- The Group of 7 (G7)
- The Independent Commission for the Reform of International Corporate Taxation (ICRICT)
- The Tax Justice Network (TJN)
- The World Bank (WB)
- The International Monetary Fund (IMF)

#### V. Guiding Questions

1. What is your country's current corporate tax rate, and how does it compare to that of other countries?
2. If it is below 15%, how much would your country's government revenue increase if the corporate tax rate was raised?
3. Does your country receive any "offshore" companies (firms that establish domiciles in low-tax countries, even though they conduct much of their business domestically)? If so, how big of a part do they play in your economy?
4. Has your country benefited or been harmed by the practice of 'race to the bottom' in corporate taxes and "offshoring"?
5. Does your country support the idea of implementing a global corporate tax rate? Why or why not?

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