

On debt and taxation, rich and poor countries are worlds apart

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At last week's UN trade conference in Kenya, hopes for progressive action on debt crises and global tax standards foundered

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Following the promises of 2015, when governments adopted the sustainable development goals (SDGs) and a new agreement to combat climate change, many had hoped this year would herald an ambitious political atmosphere, with grand self-congratulatory speeches turned into concrete change.

It was clearly with this in mind that the UN's Conference on Trade and Development (Unctad) chose "From decisions to actions" as the slogan for its global conference, which took place in Kenya last week.

All governments ought to be able to embrace the focus of Unctad - namely to help developing countries mobilise financing for development, and improve global economic governance. Unctad's roles include helping poorer countries to benefit from trade, stabilise their economies, combat international tax dodging and escape unsustainable debt burdens.

Unfortunately, as the world's governments took their seats in the negotiating room, rich nations and developing countries quickly got locked into strong disagreements.

A central issue was how to prevent debt crises in developing countries, or at least resolve them quickly when prevention fails. As Unctad highlighted in a report, this is more important than ever as commodity prices crash, pushing more developing countries towards crises, which will make it impossible for them to finance ways to meet the SDGs and climate ambitions.

Unctad has done excellent conceptual work on debt in recent years, including developing principles for responsible lending and borrowing, along with a guide to working out debt more fairly. But it lacks the mandate and resources to put these tools to work in countries that need them.

Ironically, although Unctad has faced strong pressure from rich countries to achieve results, last week it was the very same countries trying to reduce its mandate and cut the resources it needs. After long nights of fierce negotiations, developing countries had to give up their hopes of strengthening the work of Unctad.

However, it did receive a clear instruction to move forward on debt, including following up on the crucial work done on responsible lending and borrowing, and most importantly on creating an effective mechanism to solve debt crises in a fair, speedy and sustainable manner.

Another highly contentious issue was taxation. During the conference, the rich countries deleted references to the rights of developing countries to participate on an equal footing in the work on international tax matters. This was a sad replay of last year's summit on financing for development in Addis Ababa, where developing countries fought hard, but lost their battle for a new intergovernmental UN tax body, which would have given them the right to a seat at the table when global tax standards are negotiated.

A global tax body could also act in the strong interest of rich countries, which lose billions of dollars due to international tax dodging, and have a lot to gain from a coherent and functional system. But sadly, rich countries instead insisted that global tax standards should be negotiated at the OECD - known as the rich countries' club - where more than 100 developing countries have repeatedly been excluded from negotiations.

And rich countries didn't stop there. They also tried to limit Unctad's mandate to advise developing countries on taxation. Unctad has pointed out some inconvenient truths, including, for example, that some European countries are among the most problematic tax havens that undermine sustainable development. Unctad reported last year that one type of corporate tax avoidance alone is costing developing countries in the order of \$100bn (£76bn) annually (pdf).

Resistance from rich countries on taxation prompted harsh words from several developing-country negotiators as well as the Namibian president, Hage Geingob. In the end, developing countries managed to defend Unctad's right to continue its work on tax, albeit not to expand it.

The conference was a disappointment to the many who hoped that decisions made in 2015 would kickstart a new era of progressive action. In response to the hard line of rich countries, a group of civil society activists again held a demonstration at the conference, chanting, "US-EU-shame-shame!"

Our governments have committed to creating a better and fairer world. Although it seems some governments have temporarily forgotten their promise, the rest of the world certainly hasn't.

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