STATEMENT BY DR. CARLOS CORREA, EXECUTIVE DIRECTOR OF THE SOUTH CENTRE, TO THE MINISTERS AND GOVERNORS MEETING OF THE INTERGOVERNMENTAL GROUP OF TWENTY-FOUR (G-24)

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The global economic landscape and outlook for 2024 has been and will continue to be affected by a confluence of economic, geopolitical, political and climate change uncertainties and calamities. Seldom in history has the world economy faced such a complex situation.

Even though inflation is easing to various degrees across the world and the global growth projections have slightly improved, the GDP growth dynamics are still much more subdued than in the decade before the COVID-19 pandemic. Downside risks abound, including the looming debt crisis, growing inequality, fragile fiscal positions and low productivity for many poor countries, which are being compounded by more frequent climate change-induced natural disasters. Around half of the SDGs are off-track at the midway point of the 2030 Agenda.

International geo-politics and national political developments could be major drivers of economic uncertainty in 2024. The conflict in the Middle East has heightened geopolitical tensions, and possible escalations in the Russia and Ukraine war carry severe risks of devastating the world economy and peace. In addition, 2024 is a special year with more than 60 countries, including the United States, expected to hold elections. The potential impact of the outcomes of these elections on their respective economic policies and the world economy is immense.

World trade growth is projected at 3.3 percent this year, which remains below its historic average growth rate of 4.9 percent. This trend is difficult to reverse as international trade has become increasingly protective, fragmented and localized. “Friend- and on-shoring”, “America first”, technology alliances and other related policies have led to the restructuring of global supply and production chains. Geopolitical considerations have superseded comparative advantage and other economic considerations. All these have come at a cost which is borne disproportionately by poor countries. The recently concluded WTO Thirteenth Ministerial Conference exemplifies this global development disparity with minimal outcomes to claim, except for the roll-over of two moratoria on customs duties on electronic transmissions and TRIPS non-violation complaints.

The debt challenges of developing countries remain elevated. More than half of the low-income countries having debt sustainability analysis are rated as at high risk of or in debt distress. High interest rates and high premiums for raising new financing for countries used to being locked out of the international capital market make debt servicing a heavy burden for many developing countries. In order to ease default fears and roll over old debt, a number of poor countries have recently issued bonds at double digit interest rates. This has exposed some structural problems in the international financial system. The much elevated debt servicing cost has been impeding the implementation of the SDGs and leaving countries with little or no revenue to make much needed investments in climate change mitigation and adaptation, or for implementation of the

SDGs. To make debt sustainable for EMDEs and LICs, it is essential to increase the financial resources available for these countries, including through speeding up the rechanneling of Special Drawing Rights to Multilateral Development Banks. It is also important to reduce the cost to debtor countries in borrowing from the IMF, especially the suspension or significant reduction of the IMF surcharges, which has been repeatedly requested. Reform of the international debt architecture including mechanisms for debt crisis resolution and prevention should be sped up.

Development financing gap has been getting wider. The Group of Twenty (G-20) estimates that emerging markets and developing economies need to mobilize an annual $3 trillion – with $1 trillion from foreign sources – by 2030 in order to meet the shared climate and development goals. But there is little progress in resource mobilization. Official development assistance has become more diverted to meet geopolitical needs. One encouraging sign is that at the IMF and World Bank annual meeting last October, Member States agreed to increase the IMF's permanent resources by 50 percent.

Reform of the global financial architecture and global governance as a whole has been requested by developing countries for many decades. However, the inertia has been so persistent that the world is still governed by the systems laid down by the end of World War II, with minor and incremental changes. The South Centre has always supported a quota realignment that reflects the evolving economic realities of member countries, specifically a stronger voice and representation for EMDEs. Such a realignment should not come at the expense of other EMDE and LIC members. In this regard, the African continent in particular has been marginalized for decades. However, a ray of hope is shining on the horizon. After years of struggle, a 25th Chair of the IMF Executive Board for Sub-Saharan Africa was finally created last year. The admission of the African Union as a permanent member of the G-20, and South Africa's presidency of the G-20 in 2025, highlight the growing role and opportunity for Africa to participate in shaping the global economy in the 21st century.

On taxation issues, we note that the deadline of 31 March 2024 for finalizing the OECD digital tax solution of Amount A of Pillar One has been once again missed, with developed countries making increasingly extreme and irrational demands as preconditions to sign the Amount A Multilateral Convention. We strongly reiterate our recommendation that developing countries no longer wait and keep losing revenues, and immediately commence with unilateral digital tax measures such as Digital Services Taxes (DSTs) or Significant Economic Presence, and consider Amount A only after it has been ratified by major developed countries, particularly the USA. The South Centre in partnership with the African Tax Administration Forum and the West African Tax Administration Forum will soon come out with country level revenue estimates on Amount A vs DSTs for the 85 combined Member States of the African Union and the South Centre, and this can provide valuable data for informed decision making and on the opportunity cost of continuing to not take any action.

Regarding the OECD Global Minimum Tax (GMT) of Pillar Two, the OECD's own revenue estimates show that only 1.6% of the profits taxable under the GMT are located in lower middle-income countries, and only 0.1% are in low-income countries, making the OECD GMT irrelevant for the vast majority of developing countries. Further, even in countries where these minimal profits are located, the multinational enterprises can continue to shift profits and pay zero in taxes owing to the design of the rules. We reiterate that reforming wasteful tax incentives and an alternative minimum tax with a tax base such as turnover can be far easier to administer and bring in revenues, unlike the complex OECD Global Minimum Tax whose cost of administration is most likely to exceed any revenue collected.

We welcome the historic resolution 78/230 of the UN General Assembly to prepare the Terms of Reference (ToR) for a UN Framework Convention on International Tax Cooperation. We call on all developing countries to actively participate in the Ad Hoc Committee which will draft the ToR, and allocate sufficient resources for the travel to and participation of delegates in New York. The South Centre has submitted inputs to the Ad Hoc Committee.