

Written Submission of the Global Initiative Against Transnational Organized Crime to the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation

The Global Initiative Against Transnational Organized Crime (GI-TOC) is an independent civil-society organization, headquartered in Geneva, Switzerland, with a globally dispersed Secretariat and a high-level advisory board. Its mission is to develop a coordinated global response to organized crime and increase resilience to it among vulnerable communities. The organization provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime, as well as to provide consistent, multidimensional, and high-quality reports and policy-oriented documentation. The Global Initiative has ECOSOC consultative status since July 2023.

The work of the Ad Hoc Committee is of relevance to the various initiatives undertaken by the GI-TOC, particularly pertaining to the building blocks of a more effective response to different forms of transnational organized crime, particularly illicit financial flows (IFFs) for two main reasons:

- First, strengthening tax cooperation is instrumental to curb the misuse of tax system. [Research and analysis conducted by the GI-TOC](#) shows that the same tax and trade systems that sustain our licit economies also widely feed illicit economies, making the sustainable and fair management of these systems ever more important. Tax-related IFFs are a collective problem that needs multilateral cooperation to avoid safe havens.
- Secondly, a tax system that is inclusive, fair, transparent, efficient and equitable is a fundamental step towards promoting the sustainable development goals, and will contribute to reduction of tax-related IFFs such as tax evasion and aggressive tax avoidance (core components of IFFs). GI-TOC's research found that IFFs are the lifeblood of crime and corruption and may even be the most significant obstacle to equality and opportunity in transitioning economies, creating a sense of impunity and degrading the quality of the rule of law. The scale of IFFs globally as well as their continued growth have wide ranging damaging consequences for governance and the building of peaceful, inclusive societies that achieve sustainable development for their citizens.

Summary of core positions:

A framework convention whose objective is strengthening international tax cooperation in an inclusive and effective way is an important tool to respond to IFFs, and work on how to address tax-related IFFs through an additional protocol, as outlined in the draft Terms of Reference document, should proceed as a core part of the process.

Provisions on capacity building should be directed at increasing rule of law and transparency within system of governance for international tax cooperation, including improved collection and sharing of tax-related data or the creation and maintenance of beneficial ownership registers.

In addition to the establishment technical structures and mechanisms, a global governance instrument to address tax-related IFFs under the framework of a new convention should encourage multi-sectoral cooperation. The instrument should not only enhance practical cooperation within state entities, but also the private sector, academia, and civil society. The role of civil society should be enshrined in the convention, recognizing its role in research and investigation, raising awareness, and protecting communities, alongside other stakeholders.

The role of stakeholders can be beneficial throughout the negotiation process that should be open, accessible and flexible, encourage multi-sectoral cooperation and enable discussion of the latest research, trends and data and should include a wide range of observers, including from civil society, academia, the media and the private sector.

Based on this analysis of IFFs, the GI-TOC offer initial comments to the Zero Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation as the AHC continues with its work:

1. Objectives and principles:

- How the Framework Convention address tax-related IFFs, including through a Protocol, should be ambitious, and reflect the scale of the problem we are facing. While there is a clear need for the harmonization of tax regimes globally, it is important to not only look at tax cooperation from an economic but also a development perspective, particularly given that many IFFs flow from the developing to the developed world, away from where these resources are most needed.
- There is need to ensure that the systems that enable IFFs are transformed into something that enables a more development-centric distribution of value in the global economy.

2. Substantive elements

In addition to the principles outlined in the document, there are three specific areas where the GI-TOC propose as points for consideration as the Ad Hoc Committee develops its work on addressing tax-related IFFs through the convention and protocol:

- **Counter the proliferation of, and roll back the use of special economic zones (SEZ), Free Trade Zones, and Free Ports** as they allow for the movement of licit and illicit goods without due surveillance and oversight and are therefore frequently misused by elites and criminals. In some cases, they also include manufacturing hubs that employ millions of workers without the proper labor laws or host casinos, which are widely used for money laundering.
- **Increase transparency in tax havens and secrecy jurisdictions:** these systems are not inclusive, fair, transparent, efficient or equitable and therefore stand in contrast to the principles of the proposed Convention. Secrecy jurisdictions are often misused by elites to hide resources off-shore causing economic hardships on other parts of society which are squeezed to support tax evasion and left more vulnerable to environmental, health and other development risks. They can also be detrimental to small and medium enterprises that find themselves unable to compete with larger corporations that are more able to shift profits to reduce their corporate tax rates.
- **Strengthen the oversight over the enablers of tax evasion:** GI-TOC research on illicit markets globally points to the key role that lawyers, notaries and other facilitators play a key role in enabling tax evasion and related IFFs by moving money and goods across borders. For any convention on International Tax Cooperation to be successful, it also needs to look at the role of the enablers and strengthen their capacity to spot and report tax evasion and related IFFs.

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