PRESS RELEASE
July 12, 2021

APMDD Reaction to the Communique of the G20 Third Finance Ministers and Central Bank Governors Meeting

In response to the Communique of the G20 Finance Ministers Meeting held in Venice on 9-10 July 2021, Asian Peoples' Movement on Debt and Development (APMDD) Coordinator Lidy Nacpil said that in regard to climate, debt, and tax , the statement is underwhelming and fails to offer any indication that the demands of peoples of the Global South are heard.

On climate:

We strongly denounce the G20 Finance Ministers' underwhelming statement on addressing climate change. There is nothing in the communique about clear and resolute steps to end fossil fuel energy at this most crucial time in the future of the planet. Instead it repeats again what it has promised more than a decade ago and has not fully delivered on "ending inefficient fossil fuels subsidies".

We only have this decade to make a rapid and far-reaching shift away from fossil fuels. Every day of inaction is increasing the risk of racing past warming of 1.5 degrees Celsius. Stating that they agree to discuss a "wide set of tools" on which countries should coordinate to lower greenhouse gas emissions is not an avowal of responsibility to take unprecedented actions to meet the goals of the Paris agreement.

The G20 must end public support for fossil fuels immediately. G20 governments are still spending public funds on coal, oil and gas and have provided billions of dollars to fossil fuel intensive industries in response to Covid-19 -- $77 billion in public funds annually to finance oil, gas, and coal projects and more than $230 billion committed in COVID-19 recovery funds towards fossil fuels.

We decry the weak and insufficient climate targets and actions set by the G20 governments and by the multilateral institutions they control. To tackle the climate crisis, we need real zero targets, not net zero. For rich, industrialized countries, it is not enough to reach real zero domestically. Their share in historical and continuing emissions is so huge that meeting their fair share includes enabling mitigation actions beyond their borders through climate finance. This means developing countries, which bear the brunt of the climate crisis, will have to do more than their fair share to make a rapid shift away from fossil fuels way before 2050, supported by climate finance from rich, industrialized countries.

The Communique does not make any clear call nor commitment for the scaling up of climate finance delivery, which is an obligation by most of the G20 member countries based on their

huge share in historical and continuing emissions and therefore responsibility for climate change. The pledge to provide $100 billion a year, starting from 2020, has yet to be delivered. This goal does not even come close to the scale of climate finance urgently needed for mitigation, adaptation, and to address loss and damage, which amounts to trillions of dollars. It is a huge disappointment that the communique merely states that “international climate finance is critical for supporting developing countries’ climate change adaptation and mitigation efforts.” G20 developed country members should declare how much and by when they intend to deliver on climate finance obligations.

On debt:

The G20 Finance Ministers and Central Bank Governors remain intransigent towards the debt burdens of middle-income countries and impervious to the rising call for debt cancellation. This is reprehensible, and it alarmingly forebodes a G20 summit decision in October 2021 along the same lines.

The silence on extending debt relief measures to MICs, limited and temporary as they are, means that the Philippines, Indonesia, Thailand, Malaysia, India, Pakistan and several other countries have no fiscal respite forthcoming under a business-as-usual scenario. They are left to fend for themselves, with around 94% of almost $600 billion in debt service payments falling due from 2021-2025.

More than 50% of this figure is owed to commercial creditors, who are again only “urged to commit” to debt relief efforts. This has crushing implications for several MIC countries such as Indonesia, of which 51% of long-term external debt stocks are owed to private creditors, followed by Sri Lanka (38%), the Maldives (34%) and the Philippines (31%). India and Thailand’s exposure as a percentage of long-term external debt, are significant as well, at 24% and 29%, respectively.

Bond issuances have been marked particularly for South Asia, the world’s most populous region. Bond issuances of South Asia amounted to $20 billion in 2019, higher by almost threefold than 2018 figures. A closer look behind these aggregates reveals Sri Lanka as a major driving factor with $4.4 billion in sovereign bond issues. It has to service $2.5 billion of debt maturing in the next 12 months with $1.5 billion due in July.

MICs remain in the grip of new waves of COVID-19 and are struggling in the wake of the economic and climate crises. Long neglected public health systems are verging on collapse, a consequence of austerity loan conditionalities and privileging private investors. Vaccine access remains highly inequitable and uncertain. Substantial economic contractions, coupled with lockdowns and business closures have led to the loss of millions of jobs.

The G20 must rise to the call of countries for debt cancellation, starting with the immediate and unconditional cancellation of illegitimate debts, or debts that violated our right to health, clean air and water, and other human rights.

On tax:

The G20 finance leaders merely endorsed the OECD tax proposals, which are false solutions that do not address the fundamental flaws in the international tax architecture and which undermine the calls of peoples from the Global South for a comprehensive, democratic, and just system of global corporate taxation. While trying to paint the illusion of plugging foregone revenues, the endorsed two-pillar solution of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) opens more loopholes for tax avoidance than it closes. The so-called 'Inclusive' Framework rests on the preservation of inequitable global tax rules that have long favored the profit-driven interest of MNCs and the agendas of the Global North where they are headquartered. It props up pillars of *inequality* and *exclusivity* that deprive developing countries of the resources needed for sustainable and transformative development,denying their right to stand on equal footing in decision-making on global tax rules.

The two pillars laid out in the OECD's proposal consist of a global minimum corporate income tax rate of 15% and a system for taxing large multinational corporations above a very high profit threshold, which gives priority of reallocating tax revenues to countries where MNCs are headquartered.

Taxing corporations with a high profit threshold narrows coverage down to a small number of large MNCs whose taxed profits can be redistributed to countries where sales are made. Not only does this provide a loophole for large MNCs to declare a lower share of their profits as 'non-routine,' it also disallows countries where assets and labor of at least 6,000 multinational corporations from reaping their just share of taxed profits.

Setting the global minimum corporate tax rate at 15% generates a ridiculously paltry amount of tax revenues and largely benefits countries in Western Europe and North America as the global average of corporate tax rates in developing countries is much higher at 25%. This triggers an even more dangerous race to the bottom where developing countries may be forced to adopt the OECD's minimum rate, further eroding their rapidly dwindling tax bases. At this very moment we hear reports of mounting pressure on developing countries from defenders of the OECD's interests to accept the OECD/G20 proposals.

Contact:
Lani C. Villanueva
Mobile No. +63 905 2472970
Email villanueva.lani@gmail.com