REALISING THE BRI DREAM: THE TAX DIMENSION

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When we met in Astana a year ago we had a dream: to create a tax environment that would enable the BRI countries to flourish. This morning we realized that dream with almost 100 countries and organizations signing onto BRITACOM in one form or other. I am also very pleased that the council agreed to the creation of the advisory board which will bring together business, the big four and academics. Vienna is proud to be part of the board.

When travelling from Shanghai by car I could not help but reflect on the contrast with the scenery that I encountered on my first visit to China in 1972. Then, there were no motorways (but plenty of bicycles tracks) and no high speed trains (plenty of slow trains). It sometimes appeared to me that the grand canal was still the main form of transportation!

China was isolated from the international community. Today China has a first world infrastructure and this has played a part in enabling the country to achieve its impressive growth rate, to take 500 million Chinese out of poverty and to integrate into the international community.

This all shows why the BRI is so important for emerging and developing countries: it offers them a way to bridge their infrastructure gap (the ADB recently estimated that ASEAN countries will need $26 trillion of investment by 2030). Africa, Latin America and even parts of Europe face similar challenges in building up their communication links. The BRI can make a modest contribution to achieving this, along with other initiatives that have been recently announced.

Concerns have been expressed about the approach adopted by the BRI: Legitimate concerns in some cases. Perhaps we in the tax community can show how some of these concerns can be partially addressed by putting in place a robust framework for an engagement between China and other BRI countries.

Setting up BRITACOM, for example, has been an inclusive and transparent process, which is why it has taken us a year to realize the dream. Today we have a very broad range of countries that have endorsed the project and the MOU signed this morning has drawn on the good governance practices from organizations such as the World Bank and CIAT. The way the program has been set up will ensure that all countries - big and small - will not just have a seat at the table, but also a real voice in the design of the program so that it meets their real needs as determined by themselves. Like any ambitious project there will be challenges:

- How to ensure that the investment are sustainably in the long run and not just tax driven fly by night operations;
- How to avoid that they lead to unsustainably debt levels (an issue that the IMF is actively working on with china and which was raised in last week's EU - China summit).
- Can we design a tax framework which produces a fair sharing of the tax base? This may require reviewing the network of tax treaties between BRI resident countries and source countries.
- How do we avoid a race to the bottom by aggressive tax competition between the BRI countries? Can we have a BRI code of conduct on the use of tax incentives and SEZ (all too often these open up new avenues for profit shifting). Any new approaches can build upon the work done by the platform for cooperation on taxation. BRI countries need the investments but they also need the revenues to service the debt associated with mega infrastructure projects and to finance the social infrastructure they need to secure their future.
- Lastly we need to provide a level playing field for all MNE'S - whether from China, Singapore, Italy or a developing country. This is why the inclusion in the program of the rule of law is so important. We must have rules that are consistently and impartially applied to all MNE'S. No special deals for MNE'S coming from one country, no discrimination, no

dispute resolution outcomes that depend more on horse-trading than basic principles. And corruption and other illicit activities should have no place in the BRI. A level playing field, a transparent bidding processes; zero tolerance of corruption will all help open up BRI investment opportunities to MNE from all BRI countries and beyond.

What would I see as the main outcomes from our discussion:

- An openness on the part of both government and business to use BRITACOM as a neutral platform for a constructive dialogue.
- A willingness to move some of the tax instruments developed by the OECD and un (APA'S, rulings, co-operative compliance programs) from the unilateral to the bilateral or even a multilateral approach, perhaps even designed to apply for specific BRI projects.
- To examine how new technologies can be used to get the right balance between taxpayer service and tax compliance.
- The development of innovative approaches to resolving cross-border tax disputes. Mediation, for example, or even a BRI tax dispute panel.
- In exploring how new technologies could be used to develop a BRI platform to disseminate information on BRI tax systems and perhaps also to improve the effectiveness of dispute resolution processes.

Achieving these objectives will not be easy but with the creation of three BRITA training centers this may help overcome the capacity constraints that emerging and developing countries face. I am also sure that the advisory board can make a real contribution to achieving this. The BRI council must be prepared to prioritize, to maintain and focus on tax administration issues and to build on the work done by the IMF, OECD, the UN and the World Bank. I am looking forward to a lively discussion over the next two days and one that identifies innovative ways to provide greater tax certainty for both for business and government.