

The BRI & BRITACOM - leveraging peace, friendship and cooperation

The 21st century has so far proven to provide a rough ride from time to time: it all started with the dot-com bubble bursting in the spring of the year 2000, continued after a period of economic recovery with the financial crisis in 2008, fueled by cheap credit and lax lending standards that triggered a housing bubble and resulted in banks collapsing and many governments around the globe seeking to stabilize the financial economy at all cost. This massive task burdened national budgets and increased government debt leading to a situation in which e.g. many European Member States got into severe trouble and the European Union needed to provide funding and securitization facilities to avoid the worst. In the end interest rates were lowered for almost a decade to close to zero rates, allowing states cheap refinancing opportunities and spurring private investment. The global economy expanded and the growth helped many developed and developing countries. With the COVID-19 pandemic starting in 2020 this period came to an end. And especially since geopolitical tensions are on the rise since early 2022, inflation came back - especially increasing the cost of energy and posing new challenges to private households, business and industry and governments. Interest rates needed to be adjusted upwards to counter the inflation effects, posing even more stress on the overall situation. At the same time there is more and more focus on the challenges create by an apparent climate change. It looks like we are in a very challenging environment right now...

So it is even more relevant to focus on how to tackle the global challenges. And this focus needs to be a holistic approach. It has to work for all parties involved: the government and states, the individuals and societies and last but not least business and industry. It is this holistic approach which is provided for by the BRI and the BRITACOM. Let's see why I believe this is the case.

I. BRI's positive impact on its members

In the year 2013, Chinese President Xi Jinping launched the important cooperation initiative of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road (BRI). Up to the current date, the BRI made steady progress and the initiative has been implemented widely amongst its members and even non-members. The international community has welcomed the Initiative and its positive impact. From its very beginning the BRI has provided an open, transparent and inclusive approach, welcoming all countries that wanted to join the initiative. In May 2017 China hosted the Belt and Road Forum for International Cooperation (BRF), the major international event for countries and parties concerned to engage in consultation on building the Belt and Road and sharing the respective benefits. In this regard the BRF serves as a platform for the participating parties to strengthen cooperation and synergize their development strategies. Cooperation agreements were signed between the various participating countries, but as the BRI is an open initiative, agreements were also achieved with the United Nations: the Chinese government signed Belt and Road cooperation documents with the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization, the United Nations Human Settlements Programme, the United Nations International Children's Fund, the United Nations Population Fund, the United Nations Conference on Trade and Development, the World Health Organization, the World Intellectual Property Organization and the International Criminal Police Organization. This emphasized not only the inclusiveness of the BRI approach, but also the strong commitment to the United Nations 17 sustainable development goals (SDGs), forming the internationally agreed agenda for the global community.

The positive effects in the development of its member countries, fostering economic growth, connectivity, and collaboration across diverse regions of the BRI, are close to countless. To make them more tangible, here are some key aspects of the BRI's positive impact:

1. Infrastructure Development: One of the most notable contributions of the BRI has been its substantial investment in infrastructure projects. Member countries have benefited from the construction of roads, railways, ports, and energy facilities. These developments have improved transportation and connectivity, reducing logistical challenges and enhancing trade opportunities. Improved infrastructure has also spurred economic activities in previously underserved regions.

2. Economic Growth: The BRI has acted as a catalyst for economic growth in participating countries. The enhanced infrastructure and connectivity have attracted foreign direct investment (FDI), stimulated trade, and boosted economic activities. This, in turn, has created jobs, increased income levels, and lifted many people out of poverty.

3. Trade Expansion: The BRI's focus on connectivity has led to a significant increase in trade between member countries. Reduced transport costs and faster logistics have made it more cost-effective for businesses to engage in cross-border trade. This has opened up new markets and trade opportunities, benefiting industries ranging from manufacturing to agriculture.

4. Energy Security: The BRI has played a vital role in addressing energy security concerns in many member countries. Through investments in energy infrastructure, such as pipelines and power plants, the initiative has helped ensure a stable and affordable supply of energy resources, reducing dependency on a single source.

5. Knowledge and Technology Transfer: Collaborative projects under the BRI have often involved technology transfers and knowledge sharing. This has facilitated the development of local industries and increased technological capabilities in member countries. These exchanges have the potential to boost innovation and competitiveness in the long run.

6. Cultural Exchange: Beyond economics and infrastructure, the BRI has encouraged cultural exchange and people-to-people connections. Educational programs, tourism initiatives, and cultural exchanges have fostered mutual understanding and appreciation among diverse cultures, promoting peaceful coexistence.

7. Financial Assistance: The BRI includes a significant financial component, with mostly China providing funding and investment for various projects. This financial assistance has been instrumental in countries that face challenges accessing capital for development. It has allowed them to undertake essential infrastructure projects and develop key sectors of their economies.

8. Regional Integration: The BRI promotes regional integration by fostering cooperation among member countries. Joint projects encourage collaboration in various fields, from trade to environmental protection. This integration helps in addressing common challenges and leveraging shared resources more efficiently.

9. Poverty Reduction: By boosting economic growth, creating jobs, and improving access to education and healthcare, the BRI has contributed to poverty reduction in many participating countries. These improvements in living standards have had a positive impact on the quality of life for millions of people.

10. Sustainable Development: The BRI's emphasis on sustainability aligns with global efforts to address climate change and environmental concerns. Many BRI projects incorporate eco-friendly practices and technologies, contributing to sustainable development goals.

In summary, the Belt and Road Initiative has played a pivotal role in the development of its member countries by fostering economic growth, improving infrastructure, expanding trade, and promoting collaboration across borders. The BRI continues to be a significant driver of progress and cooperation in the regions it encompasses.

II. The role of taxation in promoting the high-quality development of the BRI

Over the last ten years, there has been a growing emphasis on business taxation, particularly concerning international business operations and emerging digital business models. This heightened focus has attracted widespread attention and involvement from tax legislators, tax authorities, and international standard-setting organizations like the UN and OECD. During this period, new regulations were introduced, including the OECD's Base-Erosion-Profit-Shifting Program with its 15 Action Items. Additionally, there has been a rising recognition of the challenges associated with taxing the digital economy. As a result, tax authorities in both developed and developing nations found themselves stretched and compelled to enhance their capabilities in order to keep pace with the evolving legal and business landscapes. Consequently, the importance of capacity building in this context cannot be overstated, and it plays a crucial role in two significant aspects.

Firstly, it is essential for tax legislation to keep pace with and comprehend international developments, translating them into applicable domestic tax regulations. These regulations should be carefully crafted for clarity and ease of administration. However, this task is not limited to the realm of legislation alone; tax authorities must also possess the necessary expertise to effectively assess and collect taxes in accordance with the law. Without a comprehensive understanding of both domestic and international tax rules, tax collection may fall short of its potential. Particularly in market jurisdictions, mere comprehension of tax laws isn't adequate. In the digital economy sphere, for instance, applying tax regulations like the Arm's Length Principle (ALP) necessitates an understanding of how digital business models operate, including how value is generated and how market jurisdictions contribute to this value creation. This understanding is pivotal for Belt and Road Initiative (BRI) countries to collect taxes on value created within their borders, thereby generating funds crucial for fostering further growth and stability in their nations.

Secondly, lacking in-depth expertise and knowledge, tax authorities might impose excessive taxes on taxpayers, potentially leading to double taxation when two tax authorities adopt different stances on taxing a specific transaction or business model. This situation breeds uncertainty for businesses, hampers investment decisions, and retards economic growth, ultimately having adverse effects on societal development and the overall economy. Over the past decade, we have witnessed divergent developments in this context. Some countries have excelled in crafting suitable tax laws and implementing them in a manner that reasonably balances the interests of businesses and national budgets. Conversely, other jurisdictions have encountered difficulties, either failing to collect the taxes they could have or placing excessive burdens on taxpayers. In both scenarios, uncertainty prevails. Businesses cannot rely on the lack of expertise and comprehension within tax authorities as a basis for their investment decisions, even if it means collecting fewer taxes in the short term than what is owed. When businesses are subject to excessive taxation, it becomes an evident hindrance to their respective business plans.

III. The positive role of BRITACOM in promoting cooperation among tax administrations;

The BRITACOM has established itself as the platform for cooperation of its member countries thus supporting the BRI vision in the field of taxation. It facilitates communication between the tax administrations of its member countries, providing a structured and neutral space for member countries to engage in open and constructive dialogue. It enables regular communication, the exchange of ideas, and the sharing of concerns, fostering mutual understanding. Based on this continuous dialogue trust is built. Trust is the cornerstone of strong international relationships. By participating in the cooperative efforts and honoring commitments made within the BRITACOM, member countries build trust over time. This trust is essential for successful cooperation on various fronts. With the physical meeting at the annual Conferences (BRITACOF), cultural and educational exchanges are provided which foster greater understanding and appreciation among member countries. They help break down stereotypes and promote people-to-people connections, strengthening the cultural ties that bind nations. And the BRITACOM forms the foundation for promoting collaboration on common goals and challenges and information sharing. A great example in this regard is the joint educational program (BRITACEG).

To address the need for equilibrium and enhance the tax capabilities of member countries within BRITACOM, an educational program called BRITACEG was established. This initiative involves the creation of tax academies designed to provide structured education. These academies follow a comprehensive educational plan known as the BRITACEG Curriculum. This curriculum covers all aspects of business taxation, encompassing both direct and indirect taxes. By doing so, it ensures that tax authorities share a common understanding, thereby reducing the risk of disputes and the likelihood of either overtaxing or undertaxing businesses. The curriculum also addresses administrative aspects, including the digitalization of tax administrations, collaboration among tax authorities, and engagement with taxpayers, including providing taxpayer services. This balanced approach contributes to an increased level of certainty for both tax authorities and taxpayers. Notably, the composition of the lecturers in these academies is diverse, drawing expertise from tax authorities, academia, and the business sector.

IV. Proposals and suggestions for future development of the BRI and the BRITACOM

High-quality development in Belt and Road Initiative (BRI) countries primarily requires two key components: private investments and government investments. Taxation plays a crucial role in attracting private investments while ensuring sufficient tax revenues for governments. Striking the right balance between these objectives is essential.

A harmonious tax policy seeks to identify the optimal tax rate or effective tax burden that can both attract private investment and generate tax revenue. Achieving this balance is a complex but critical goal for BRI countries and warrants further research facilitated by collaboration and exchange of respective data among BRITACOM member countries. In this regard the BRITACOM could also start defining key metrics for member countries' improvement. While arithmetic goals like tax rates are measurable, other areas like overall tax environment improvement require clear goal-setting and measurement methodologies. A BRITACOM report could provide transparency on the tax environment's development, aiding members on their path to sustainable growth.

Beyond the absolute tax burden, tax certainty is paramount in influencing investment decisions. Even the lowest tax rate is of little value if businesses face uncertainty due to inconsistent tax interpretations by tax

administrations. To enhance tax certainty, factors like upfront tax rulings, transparent tax guidelines, efficient administrative procedures, and amicable taxpayer relationships all play significant roles. The BRITACOM serves as a platform for member countries to discuss, align, and design frameworks for tax certainty in legislation, thereby reducing potential disputes. This alignment promotes economic and societal development by minimizing friction among member nations. Additionally, international standards, such as Pillar II (GloBE rules) developed by the OECD, introduce complexities that require local implementation. The BRITACOM can serve as a platform for its members to align on interpretation and application of such rules, ensuring uniformity and engagement with the OECD. Furthermore, establishing a joint dispute resolution mechanism within BRITACOM could significantly enhance tax certainty. Fast and efficient resolution of tax disputes can save resources. This mechanism could initially offer recommendations for dispute resolution, gradually evolving into binding decisions, showcasing member countries' commitment to sustainable growth and prosperity.

The relationship between taxation and achieving the United Nations Sustainable Development Goals (SDGs) is a nascent field. Aligning taxation principles with the SDGs is crucial, given that all legislative and administrative areas should support these goals. The BRITACOM can facilitate discussions, develop guiding tax principles in line with the SDGs, and ensure consistency with other legal and administrative aspects.

V. Congratulations from ICC

Having to deal with tax matters is often seen as a dry, or even boring matter. The BRITACOM is a great proof, that taxes are a core lever for tackling the pressing issues of our time and everything else but dry and boring. On this remarkable occasion of the 10th anniversary of BRI, I therefore take great pride in extending my and ICC's heartfelt congratulations to all those who have been part of this transformative journey. Over the past decade, the BRI has demonstrated its commitment to fostering economic growth, enhancing connectivity, and promoting collaboration among nations. It has served as a beacon of opportunity, bringing together diverse cultures and economies in a spirit of cooperation and shared prosperity. The International Chamber of Commerce applauds the dedication and vision of all those involved in the BRI. We acknowledge the positive impact it has had on member countries, creating jobs, improving infrastructure, and expanding trade. The BRI's emphasis on sustainability aligns with our global goals for responsible and inclusive development.

As we celebrate this milestone, let us renew our commitment to the principles of openness, transparency, and mutual benefit that underpin the BRI. Together, we can continue to build a more interconnected and prosperous world and overcome the pressing challenges of our century.

Once again, congratulations on this remarkable achievement. We look forward to the continued success of the Belt and Road Initiative in the years to come. And we will be honored to support and be part of this journey.



Prof. Dr. Christian Kaeser

Member of the BRITACOM advisory board, ICC representative to the BRITACOM, Chair of the German Federation of Industries (BDI) tax commission, Global Head of Tax – Siemens AG