Statement and input for FfD discussions on trade and global value chains, UN, New York, December 2014

Thank you very much Mr. Co-facilitator for providing me the opportunity to address the floor.

My name is Matti Kohonen, and I talk on behalf of the Christian Aid, and also as part of a broad CSO coalition. I will address both safe-guards in order to localise Global Value Chains in developing countries among those who are most vulnerable, and secondly address trade related distortions caused by intra-firm trade and trade mispricing.

Over the last two decades, trade and investment policy has led to an extension of global value chains towards many developing countries, including especially towards women and those living in poverty.

The Elements Paper states that "LDCs, LLDCs and SIDS and other countries in special situations insufficiently benefit from the international trading system due to capacity constraint as well as to subsidies of richer countries". Indeed, the distribution of value in the global value chain is a central issue concerning the global trading system, an issue that goes beyond capacity building (while important) as we also require safe-guards concerning water, environment decent work, gender equality, social protection in addressing inequality.

The situation of women is especially important in as ever more women are part of Global Value Chains. According a recent study, if women in developing countries were paid as much as men they could earn an extra US$2 trillion. And if women participated in the workforce at the same rate as men, women could earn another US$6 trillion[1]. Indeed, women make up 60% of the world's working poor, but on average they are paid from 10% to 30% less than men due to discrimination in education, access to land, care work and social norms[2]. Women's work - in and outside the home - is vital to sustainable development and for the wellbeing of societies. Economic Partnership Agreements (EPAs) EU and the ACP (Africa, Asia and the Pacific) group of countries states that parties should respect international conventions regarding women's rights and gender equality, and commit to include a gender perspective in "all areas of cooperation"[3] under policy coherence for development and tailor them to the economic and political contexts of all countries.

I would also like to address newly identified distortive measures in the trading system. Cross-border trade between multinational companies and their affiliates, according to the OECD, accounted for 48% of US goods imports and about 30% of US goods exports[4] where data on this "related party trade" is available. This is highly problematic as low-tax secrecy jurisdictions according to a recent academic paper currently account for 50% of US corporate profits made abroad[5], which raises the risk of "profit shifting" and further "base erosion" through the tax competition. In 2013, the African Progress Panel highlighted that an average of 5.7 percent of GDP over the last 10 years, and loss of capital has an outsized impact on the continent. Indeed, trade misinvoicing accounts for about 80 percent of the world's illicit financial flows, referring to the deliberate falsification of import and export declarations in order to evade tax[6]. Data on this matter should be collected from all

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[1] http://www.actionaid.org.uk/sites/default/files/publications/womens_rights_on-line_version_2.1.pdf
[2] http://www.worldbank.org/content/dam/Worldbank/Event/Gender/GenderAtWork_web2.pdf
[3] http://www.un.org/womenwatch/feature/trade/gender_equality_and_trade_policy.pdf
[4] http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC/WP(2010)27/FINAL&docLanguage=En
[5] http://gabriel-zucman.eu/files/Zucman2014JEP.pdf
[6] http://www.africaprogresspanel.org/sub-saharan-africa-loses-5-7-percent-of-gdp-to-illicit-financial-outflows/18/

countries through global TIN numbers, custom authority co-operation and tax transparency measures.

Yesterday we discussed whether an inclusive agreement at the FfD conference will need to support a commitment to establish a new intergovernmental body on international cooperation in tax matters under the auspices of the UN to negotiate how tax systems allocate value. In this regard, civil society finds that trade and tax linkages only further emphasise the critical importance of such a body.

The Third Financing for Development (FFD) conference in Addis Ababa offers a unique opportunity these and other issues related to Global Value Chains.

I thank you, Mr Co-facilitator.