

Mr. Gaspar's Opening Remarks
Eleventh IMF-Japan High-Level Tax Conference for Asian Countries
June 15-17, 2021

[Introduction](#)

Good evening or good morning as the case may be!

It is my great pleasure to welcome you to the eleventh IMF-Japan High-Level Tax Conference for Asian Countries.

I am grateful to our co-host, the **Japanese Ministry of Finance**, for excellent cooperation in making this conference happen, and for Japan's unwavering and generous support for IMF technical assistance.

I would also like to thank my colleagues in the IMF's Fiscal Affairs Department for their organizational leadership of this event.

As we gather today, the world economy is recovering but recovery is highly uneven. The U.S. will overcome the pre-COVID-19 level of activity this year. Remarkably, in 2022, U.S. output will be above the growth path foreseen before the pandemic hit. China, in turn, is one of the few countries that avoided a contraction in economic activity, in 2020. Growth is now strong, and it is projected to remain so over the medium term. But the weaker a country is economically and financially, the more likely it is that it will fall behind among divergent recoveries.

In the spring, the *Fiscal Monitor* emphasized that policymakers would be well advised to focus on policies that deliver a fair shot:

First, COVID-19 is a health crisis and health policy **is** economic policy. It is important to ensure vaccination in all countries and be prepared for the uncertain evolution of the pandemic. *Second*, fiscal policy must be tailored to country-specific circumstances and remain agile and flexible to respond as appropriate to the evolution of COVID-19 and its variants. *Third*, we must move gradually from support to existing jobs and firms to policies that facilitate adjustment toward a green, smart, inclusive, and resilient economy.

Fiscal policy responses in 2020 were unprecedented. Debt and deficits increased sharply around the world. All of this requires substantial increases in tax capacity and improvements in the efficiency of public spending. The IMF has been supporting countries in these domains for decades. Events like this are an important way to help our members strengthen their revenue mobilization. We are also keen to collaborate with other international and regional organizations.

I would like to highlight two issues on our agenda: international taxation, and carbon taxes.

[International Taxation](#)

The COVID-19 crisis gives us a unique opportunity to rethink and fix the international tax system and create a system that fits the 21st Century.

The OECD's Inclusive Framework on Base Erosion and Profit Shifting has put forward a two-pillar approach to international corporate taxation: **Pillar 1** proposes an allocation of taxable profits of the largest and most profitable multinational groups by formula apportionment. **Pillar 2** proposes a global minimum tax rate.

This type of multilateral approach is the only way to ensure that highly profitable multinational firms both pay sufficient tax and pay it to countries where they have significant engagement, including in low-income developing countries. The IMF fully supports this ongoing effort at the Inclusive Framework. The book, "*Corporate Income Taxes Under Pressure*", which was recently published by the Fiscal Affairs Department, discusses proposals for a global minimum tax rate, and other important topics. The book will help those directly involved in the reform debate, and all who are interested to help focus on and address the fundamental questions.

In this conference, we will discuss desirable directions of **international tax reform in the medium term**, building on analysis and proposals of the new book. We also discuss **challenges in managing international taxation risks for tax administration in the region**.

[Carbon Pricing](#)

Climate change, if left unaddressed, is associated with catastrophic risks, from extreme weather events—hurricanes, floods, droughts... But it also offers opportunities for transformative investments and green jobs.

The IMF has been arguing that a carbon price is a cornerstone of policies to mitigate climate change. Pricing carbon provides incentives to save on energy and to change the composition of production toward greener activities. But it also fosters innovation in green technologies.

An important step toward carbon pricing would be **the adoption of an international carbon price floor by large emitters**. In fact, the four largest emitters in the world—China, the U.S., India, and the EU—account for about two-thirds of emissions. The remainder of the G20 brings the total up to 85 percent. An agreement between a relatively small number of countries would, therefore, constitute a decisive step forward. It could, after being established, expand gradually to encompass other countries.

Later in this Conference, the issue will be discussed further.

Conclusion

Let me conclude.

As countries struggle to control COVID-19 and shape the future, it will be necessary to: expand tax revenues, in many countries, to build fiscal space for resilient development. At the same time, global action is required in important domains: *first*, in health, to control COVID-19 and to prepare to prevent and manage future pandemics; *second*, international corporate taxation may pave the way to an international tax system fit for the 21st century; *third*, taxation is also important to correct market failures and direct resource allocation and innovation. Here, the urgency of climate change requires carbon pricing.

So, I would like to welcome all participants, and wish you productive and engaging discussions.

Thank you.

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