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I write about country-by-country reporting quite a lot on this blog. Today I've published a new report on the subject, working with the Tax Justice Network. It's an appropriate association. As I say in the introduction:

It is almost a decade since the idea of country-by-country reporting for multinational corporations was first suggested. Country-by-country reporting is in essence a simple idea. All it demands is that multinational corporations publish a profit and loss account and limited balance sheet and cash flow information for almost every jurisdiction in which they trade as part of their annual financial statements. Such a simple request has been the subject of much debate.

Extraordinarily, the history of country-by-country reporting almost exactly matches that of the Tax Justice Network, because the very first version of country-by-country reporting was written by me in response to a question John Christensen asked during our first ever conversation in October 2002. That first version was published, with an anticipated audience of just two people in January 2003. The Tax Justice Network was launched in March that year.

What is very clear is that in the intervening years country-by-country reporting has come a long way. It underpins Dodds Frank Section 1504 in the USA just as it underpins the demand for greater disclosure in the extractive industries in the EU right now. In the process it has won the support of many of the world's major development NGOs, from Oxfam to Christian Aid, to War on Want, and ActionAid, and those of many other countries.

Despite that we have not got country-by-country reporting as yet. The disclosures being demanded of the extractive industries, whilst important, are disclosure information and are not proper accounting data. By that I mean they provide selected information that is incapable of real interpretation because, for example, whilst tax payments will be disclosed the profits to which they relate will not be. As a result the campaign for full country-by-country reporting, now supported by the EU Parliament and Council of Europe, goes on.

That said, country-by-country reporting is not without its opponents.

PricewaterhouseCoopers has invested enormous effort into defeating it.
The International Accounting Standards Board seeks to ignore it. Big business has tried to squash it, unsuccessfully so far, at the OECD. The vested interests in the management of large companies don't want to tell us where they are, what they're called in each place in which they work, or to account for what they do in each and every country that hosts their operations.

The result is that we do not know some quite extraordinary things. We do not know how much intra-group trading there is within the world's multinational corporations. Nor do we know precisely how much, or little, they use tax havens. And we do not know where they pay tax, or how much they pay. Nor have we any clue how their patterns of intra-group trading may alter those payments.

The result is that investors in these companies really do not know the risks that they face.

And the countries that host multinational corporations' acticvities do not know that either.

And civil society does not have enough information to hold those companies to account on tax, trade, debt, the environment, labour issues and much more at a time when in very many ways the activities of these companies are more important than those of governments.

Country-by-country reporting would give us the answers we need to address these issues. In addition, in this latest iteration of my thinking I address the issues of intra-group hedging, derivative and option trading, which I now think is one of the ways multinational corporations are most likely to shift profits across borders and I also suggest that country-by-country reporting is just about the only mechanism that has any chance of making sense of the OECD's objective of extending its arm's length transfer pricing methods to Africa, South America and Asia. These are big issues: they need debate.

The result is a long (68 pages) and technical report. But as I again say in the introduction:

We make no apologies for the length, completeness or technical nature of what we offer. From being the fledgling idea of a new think tank designed to solve a particular problem country-by-country reporting as now proposed is the most comprehensive alternative view of what accounting could offer to explain to the users of financial statements the activities that global companies undertake. That might seem a big claim except for the absence of any competitor in the field, and this in itself is some indication of the importance of country-by-country reporting.

It is our contention that globalisation is not working. That has been obvious since 2008.

What is now also increasingly appreciated is that the model of accounting put forward by the accountancy profession (International Financial Reporting Standards) exacerbated the financial crisis by, quite crucially, failing to anticipate losses being incurred by banks. When as a result of that failure the global financial crisis has very obviously resulted in a series of local financial disasters from Greece onwards that existing accounting models for corporate reporting failed to predict the need for alternative thinking on financial reporting would seem to be an issue that should be at the forefront of thinking everyone in the accounting profession and most especially for all accounting academics, and yet it is not. The accounting profession, its regulators, accounting academics and many (but not all) of those politicians tasked with overseeing the profession still seem to continue to ignore the fact that the accounts produced by the profession do not meet the needs of the vast majority of the users of those financial statements.

That's their choice. Ours has been different. We've confronted the issues. Country-by-country reporting is one of our answers. And since the problem is not going away we'll continue to work on, develop and campaign for country-by-country reporting, which as we argue, makes globalisation accountable locally.