

The fight for corporate transparency

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I cross-post this [from the Tax Justice Network blog, with permission](#), because it adds to the debate on country-by-country reporting:

On 25 May 2018, the [European Council will meet in Brussels](#) and will likely consider new rules on corporate transparency, the introduction of public country by country reporting. The meeting will take place 40 years to the day since the OECD sabotaged attempts to introduce similar transparency measures via the United Nations.

The long and arduous road towards country by country reporting is the subject of a new report published today by Markus Meinzer and Christoph Trautvetter with the Tax Justice Network. To download the full report, [click here](#).

The report details how greater corporate transparency, and specifically rules to compel multinational companies to break down their consolidated accounts to a company specific, or regional, basis have been blocked by the business lobby for a period of over forty years. This is despite widespread support for the measure from the public and many governments.

One of the most promising initiatives came from the UN Commission on Transnational Corporations which was founded in 1975. The commission convened a group of experts to come forward with proposals to increase the transparency of multinational corporations. The group proposed compelling companies to publish accounts for each company the multinational operated and details of transactions made between them.

Had this been adopted it would have been a game changing move. As has been amply demonstrated in recent years, large multinational companies can use accounting secrecy to move money between the companies that they operate, and hide profits in tax havens around the world.

The proposals attracted a strong reaction from the business lobby, who opposed the measures. However, as the Commission worked on a majority basis, and developing countries supported the idea, it seemed likely to be implemented.

The measures failed. Representatives from OECD countries threatened to walk out, and cut off funding for the Commission if the rules of the game were not changed to make sure decisions were taken on a unanimous basis. As a result, the proposals were never adopted.

This shameful period of the OECD's history, and the multiple failures of attempts to bring in country by country reporting since, has resulted in a tragedy for public services around the globe, starving countries in the developed and developing world of the resources they need to implement economic development and social welfare development programmes.

The story of the 1978 proposals is also particularly relevant to the story of the current debate on Country by Country reporting.

Country by Country reporting was developed as an idea in 2003 by Richard Murphy, working with the TJN. Rather than compel companies to publish all of the accounts of every company they operate, the measure would compel corporations to provide figures for their operations on a country by country basis. The measure was taken up by numerous civil society organisations and gained popularity, driven by numerous corporate scandals involving profit shifting. As a result, Country by Country reporting has already been adopted in some sectors, such as extractives and the banking sector in the EU.

However, progress has been slow. Just as in 1978, the tactics of the pro-business lobby has been to try to steer the process in a direction which makes the adoption of CbCR rules more difficult.

The latest proposals being considered by the European Union have been slowed by years of debate over process. Within the European Union, matters concerning the internal market, including accounting issues, are decided on the basis of majority voting. Tax matters require unanimity. Much of the effort from corporate lobbyists has been to shift the discussion of CbCR into the tax forum.

That debate on the legal basis of CbCR is still being fought between the European Council and the European Parliament, who have twice voted in favour of public Country by Country Reporting.

As demonstrated in this new paper ([pdf, here](#)), the European Union would do well to learn the lessons of the past if it is to drive through this vital transparency measure.

As a footnote: the 1978 proposal is fascinating, but was not country-by-country reporting. Having access to the accounts of all companies is something that I think is vital, but that does not result in country level data being made available because there

can, of course, be many companies per country and they need not be consolidated as full country-by-country reporting would require. In addition, one company can trade in several locations, and only country-by-country reporting would disaggregate this.