

Why I think the tax justice movement is irresponsible t...

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I was, for reasons that are of no relevance here, asked in the last week to justify why I have described many organisations within the tax justice movement as grossly irresponsible for promoting the idea that responsibility for international tax agreements should now be passed from the Organisation for Economic Cooperation and Development to the United Nations. Since this has become a bone of contention between me and many in that movement, I thought it worth sharing the reasoning that I provided.

For convenience, I frame my comments within the context of a mail I was sent by Tax Justice Europe (of which I was then a member) on 17 September 2021 referring to a mail from the Global Alliance for Tax Justice (GATJ) of the same date. There was linked to this a statement from the GATJ for which endorsement was being sought. This opened by saying:

The COVID-19 pandemic and its impacts present a historical opportunity to reform global corporate taxation and transform our tax systems to make them more responsive to the needs of people and the planet. It is unconscionable that the solutions offered by the world's elite countries only serve to reinforce inequalities in the global tax regime that have long excluded the voice and interests of developing countries and peoples in the Global South.

The Global Alliance for Tax Justice and many in the tax justice movement were critical regarding the leadership role of the OECD, which is a club of the rich, to reform international tax rules. To give its leadership the veil of legitimacy it created an Inclusive Framework (IF), which has so far barely gone beyond rubberstamping the Group of Seven (G7) "deal of the rich". The proposals in the OECD-led Inclusive Framework's statement on July 1 for new global tax rules, do not address the fundamental problems of the current international tax architecture.

There was more in similar vein.

The associated sign-on document said:

We are sharing a statement of the Global Alliance for Tax Justice, initiated by our Southern regional networks - TAFJA, TJNA and RJFLAC. We are calling civil society organisations (CSOs) from all around the world to reject the forthcoming G7/G20/OECD tax deal, which will not benefit developing countries. You can read the statement in English and Spanish here: <https://bit.ly/dealoftherich2021>.

Since these documents were widely shared and intended for publication I am breaking no confidence by sharing them here.

I am aware that many tax justice organisations including the Tax Justice Network (TJN) support this view. Only last week the TJN Africa tweeted calling for the OECD deal to be rejected, outright.

I suggest that these arguments are based on what I describe as a naïve Marxist populist trope. By that I mean that the argument used is simplistic; incorporates an unjustified anti-business rhetoric; is populist in the sense that it seeks to divide groups against each other whilst offering a solution that is unsustainable; and is a trope because it is a motif around which campaign action is being built despite the other failings that I note. The resulting logic that these organisations are using suggests that:

- * Business is bad;
- * Business has captured the OECD;
- * Therefore the OECD is bad;
- * For that reason the OECD is not negotiating international tax deals in good faith;
- * Developing countries are suffering as a result;
- * The tax justice movement has an answer to this problem: the UN should take the OECD's place even though it does not have the capacity or the apparent willingness to do so;
- * If the protracted transition between these organisations that this would require could be managed then better outcomes for developing countries would follow;
- * That is claimed to be the case because it is assumed that the OECD countries that the TJN and GATJ suggest prevent progress for developing countries in OECD based negotiations would raise no objection to whatever developing countries might want if that negotiation moved to the UN, even though those OECD member countries are all, without exception, powerful and influential members of the UN capable individually or as a bloc of preventing any of the progress that the tax justice movement thinks might be delivered there.

The first thing that I noted was that I fundamentally disagree with many of these assumptions. In particular:

- * The caricature of business is naïve, and wrong. It is not true that all business is bad. I do, of course, acknowledge that there are entities whose conduct should be challenged (and many will be aware that I have been more than willing to do this) but I see lazy generic categorisations of the type implicit in the GATJ logic as being as offensive as other generic categorisations implicit in behaviours that I also find as offensive, including racism, misogyny and other forms of discrimination;
- * It is not true that the OECD has been captured. I would actually argue that under Pascal St Amans, in particular, it has stuck its neck out for the tax justice movement and has risked the ire of the business community to do so;
- * The OECD has not, therefore, been captured;
- * It is instead the case that the OECD actually delivered the best deal possible given all the conflicting demands made upon it. I fully recognise that the current deal is imperfect, and that I would want something much better. I should also note that I would also like universal peace, the end of cancer and an immediate solution to climate change. I am, however, a realist and know that none of these things are going to happen right now. Nor is an international tax deal that satisfies all parties going to happen. It was always utterly unrealistic to think that it would.

Even if I am wrong on these issues (and I am entirely confident that I am not) it is still appropriate to look at the consequences of this proposed course of action that so many within the tax justice movement now promote. My suggestion is that the outcomes would be as follows:

- * There would be a messy turf war between two international organisations for a period of time, likely to last for several years;
- * If it was then agreed that there should be a transfer of authority to the UN this would then take a number more years to complete because it does not have any of the required capacity to take on these tasks at present;
- * Only after that could the UN get to work, and as we know from experience, new tax deals take several years to negotiate before they are eventually agreed;
- * The agreement that would have to be reached would be between exactly the same countries as are now engaged in the OECD process, including those in the OECD Inclusive Framework. What is more, almost the same power dynamics would exist in that negotiation as do in the current OECD structure with the majority of power, whether anyone likes it or not, resting with the developed nations of the world;
- * The consequence would be that at a point in time between ten and fifteen years hence an agreement that would represent only a minor step forward from where we are at present might be agreed, with developing countries likely to feel as aggrieved then as they do now;
- * Realistically, as a result, the only likely consequence of the current proposal being

made by the tax justice movement is that progress on international corporation tax issues would be delayed by more than a decade with the likely cost being borne, almost entirely, by developing countries who will despite that delay see no advance in their situation.

To summarise, what these organisations are proposing is up to fifteen years of wasted effort during which period of time the cause of developing countries will not be advanced one jot, and at the end of which those countries will be no, or only very little, better off than they are now. Since it is easy to work this out, I call that behaviour grossly irresponsible. And that is why I am no longer willing to work with these organisations because as far as I can see the tax justice movement is now working against the interest of tax justice and the interests of all the countries that most of those of us who created that movement made the focus of our concern.