JOINT ENDEAVOUR OR COLLECTIVE SURRENDER: RESISTING GLOBAL TAX

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The proposal by the US government to establish a global minimum corporate tax is not a remote matter from the lives of people in the Caribbean. It is a real issue with deep implications for Caribbean economies, and, indeed, for the capacity of Caribbean countries to continue to participate meaningfully in the global trading and financial system.

Neither Caribbean governments nor Caribbean people should ignore it. Their livelihoods depend on it. Further, the countries of the region should already have launched an initiative to respond to the US government's proposal collectively.

When the idea was mooted by Treasury Secretary, Janet Yellen, on April 5, every experience I had as a representative of Antigua and Barbuda, dating back to 1998 when the Organization for Economic Cooperation and Development (OECD) launched its assault on low-tax jurisdictions, told me that developing countries would be steamrollered into acquiescing to it. Consequently, I organized a meeting between officials of the US Treasury Department and a few Caribbean Ambassadorial colleagues on May 7, to better understand the scope of the initiative and the pace at which it would move. It was clear from that meeting, at which the Caribbean ambassadors present made their concerns and fears clear, that a minimum global corporation tax would be a juggernaut that would not easily be stopped.

It would have been foolhardy to believe that, even in its transition period, the Biden finance team had not canvassed the minimum tax with officials of the OECD and the International Monetary Fund (IMF). It was no coincidence that, shortly after Secretary Yellen made the announcement of a minimum global corporation tax of 21 percent, IMF officials were endorsing the idea. It took no more than two months for the G7 countries – the US, the UK, France, Germany, Canada, Italy and Japan, plus the European Union (EU) – to adopt a minimum tax for corporations of 15 percent. They did so on June 7, proclaiming it "a landmark deal".

The G7 agreed figure is 6 percent less than the US had proposed, but no one should believe that the matter has ended. It is only the beginning of a new phase in the onslaught that the OECD officially started in 1998 to end what its members called ‘harmful tax competition’. There is no guarantee that the minimum global corporation tax will remain at 15 percent, or, that intrusion into setting tax rates will not extend into other areas.

The OECD members then – and now – regard low tax jurisdictions as competitors in attracting corporations and, therefore, their ability to tax them. Having heavily taxed their populations from the cradle to the grave and beyond (no hyperbole) and faced with little possibility of taxing them further without voters heaving governments out of office, these governments focused on low-tax jurisdictions, demonized them in the media and elsewhere. The OECD governments claimed they were operating on a playing field which was not level for them. Blacklists and threats of sanctions quickly followed, causing a procession of governments of developing countries to concede their sovereignty over tax matters.

This ‘level playing field’ effort is now an attempt to force corporations to stay in rich nations by securing a minimum global rate of tax that would give them no great advantage in shifting to lower tax jurisdictions. The next step is to get the agreement of the G20 countries when they meet in October. These countries are the G7 and the European Union with 12 others, including China, India, Mexico, Argentina, Brazil, South Africa, Turkey and Saudi Arabia.

If Caribbean countries, and other small developing states, are to try to put a brake on the steamroller, getting their case before the large, developed countries in the G20 is crucial. For, if the G20 endorses the plan, smaller countries will again be cast aside – the hapless victims of the world’s powerful states, as they are with Climate Change and getting vaccines to fight COVID-19.

That is why vital alliances need to be struck now, starting within the Caribbean, extending to embrace countries in Asia and the Pacific, and then with other nations that are far from happy about being coerced into losing revenues and business to satisfy the tax hunger of a few.

For instance, Switzerland is reported to be planning to give subsidies to companies, headquartered there, to offset the 15 per cent tax. Ireland – an EU nation – has an advantageous corporate rate of 12.5 per cent that has helped to grow its economy and improve its people’s lives. It wants no increase. These two countries and others could be important allies.

The fact that Caribbean countries – and other developing countries – oppose the imposition of a global corporate tax rate, should not be mistaken as hostility toward the US or any other country that favours higher taxes. But setting tax rates is a right of nations not an international prerogative of the powerful.

All nations understand that in the US president Biden has an ambitious plan to build out needed infrastructure to keep the US globally competitive, to create jobs and to rebuild after the COVID-19 pandemic. Other countries, especially, small developing ones have the same problems, but without the resources or the clout to establish a global rule that would suit them. They have to continue to compete on unlevel playing fields in almost every area of economic and commercial activity.

Low taxes help Caribbean countries and others to attract investment they desperately need, because their exploitation and under-development, for centuries, have made it difficult for domestic investment alone to drive their needed economic growth and social improvement.

No time should be wasted by Caribbean governments to assemble a strong team to advance their joint cause. There is not much time until the G20 meets in October, and much work needs to be done to give its developing member countries a convincing case to champion.

Giving-in again should not be an option, but no one country can stand up alone. This is a joint endeavour, or it is surrender – one by one.

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