



- The OECD approves a corporate tax of 15%. How helpful is this?
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THE OECD¹ APPROVES A GLOBAL CORPORATE TAX OF 15%: HOW HELPFUL IS THIS?

At first glance, a global corporate tax of 15% sounds like great news - a long-awaited mechanism for ensuring that multinational corporations (MNCs) can no longer avoid paying at least this rate of tax in every country they operate from. Sean Darby of JEFFERIES² sees this tax as a big step forward in the way countries are approaching taxation of MNCs.

Market analysts consider 15% a relatively low rate and assure businesses that its effect on most corporations will be slight. They also believe there are plenty of details still to be figured out and so it will have no impact for some time. Taxes would apply for any global company with at least a 10% profit margin. They think that corporate taxes may increase in the future and that the tax may make it difficult for multinational corporations (MNCs) to shift their revenues to tax havens.

The Tax Justice Network (TJN), a promoter of a global corporate tax, finds the 15% disappointing. A group of TJN researchers, working with other leading tax experts from the United Kingdom, Czechia and the USA, have produced some new research known as 'minimum effective tax rate' (METR), which calculates the amount each country in the world could expect to recover in underpaid tax from multinational corporations every year.

They are unhappy that the tax fell from President Biden's proposal of 21%, which their METR research supports, to the 15% approved by the G7, the G20 and the OECD. The 21% tax could recover \$643 billion yearly in tax revenue from MNCs, if properly implemented, and would go a long way to reversing the 'race to the bottom' experienced by the lower income countries. It would reward the victims rather than the worst perpetrators. Under the OECD's 15% proposal, the world would recover \$540 billion each year in underpaid tax from MNCs. This shortfall would be more than enough to vaccinate the world against COVID-19 five times over.

Liz Nelson of the TJN writes: 'Colonial powers like the United Kingdom and the Netherlands have been instrumental in the development of an abusive global tax system which today robs lower income countries (where half the world's population lives) of tax that is equal to over half of their combined public health budgets. We should not forget that it was slave owners who were compensated by empire when slavery was abolished, not the slaves themselves'.

Currently, 65% of the OECD's annual corporate tax loss is due to MNCs shifting profit into tax havens. Yet, the OECD is proposing that 75% of recovered taxes would

¹ The Organisation for Economic Co-operation and Development is an [intergovernmental economic organisation](#) with 38 member countries. Generally, OECD members are [high-income economies](#) and regarded as [developed countries](#).

² JEFFERIES is a financial services company based in the USA, engaged in investment banking and capital markets, asset management and direct investing.

go to OECD member countries, 23% to non-OECD countries and 2% to tax havens that are OECD dependencies, such as the British Cayman Islands and Netherlands Aruba, in the Caribbean.

Alex Cobham, Chief Executive of TJN, says of the OECD statement: ‘Now it’s clear why so many countries have expressed reservations about the OECD proposal. It is true that the deal is historic; but it, shockingly, would deepen the global inequalities in taxing rights’. This proposal will allow OECD countries to recover a greater share of underpaid corporate tax from MNCs than the share they lose.

The METR proposal achieves a more just proportional balance, as its process for determining what unpaid tax each country can recover is based on where genuine business activity is conducted by MNCs. A country would have the right to recover a share of an MNC’s underpaid tax that is equivalent to the share of sales, employees and assets of that MNC has within its border. Under the METR proposal, lower income countries would see the amount of underpaid tax they recover almost double the amount retrieved under the OECD proposal – instead of \$16 billion they would receive \$31.3 billion. This could meet

36% of their total combined public health costs. It would double the total amount of tax lower income countries receive overall. Implementing the METR proposal at 25% instead of 21% would recover an additional \$140 billion in underpaid tax from multinationals.

Alex Cobham believes that, in order to end ‘the race to the bottom’ we must be sure that the tax system’s victims are compensated, not its worst perpetrators rewarded. The OECD has repeatedly proven itself incapable of delivering meaningful tax reform because its own members are responsible for most of the global tax abuse. It is vital to move our global tax rules away from the OECD and into the United Nations.

Sources: Prepared by Mary Boyd from: Global Minimum Corporate Tax: questions over OECD commitment to ‘Inclusive’ reforms, Tax Justice Network, July 1, 2021. Biden Tax Plan Can Recover \$640bn but OECD Proposal Would Shrink Gains and Reward Worst Perpetrators, Tax Justice Network, April 15, 2021 (main source). G20 Signs Off On 15% Global Minimum Corporate Tax – Here’s How It Will Work, Graison Dangor, Forbes Magazine, July 11, 2021..

ENERGY COMPANIES ARE FAILING TO INVEST IN JUST TRANSITION

What is Just Transition?

Just Transition is a concept developed by the trade union movement. It is the implementation of the social policies needed to secure workers' rights and livelihoods when economies are shifting to sustainable production, combating climate change and protecting biodiversity.

In Australia, which exports large quantities of coal and other fossil fuels, we know that workers economically dependent on mining fiercely support its continuing when they can see no other way to support themselves and their families. As well as advocating action to

combat climate change and protect diversity we must also implement policies for a just transition, ie policies that ‘smooth the shift towards a more sustainable society and provide hope that a green economy can sustain decent jobs and livelihoods for all.’³ Some obvious policies would be the creation of new jobs, opportunities for the transference of skills, availability of retraining, financial support. As Canadian union activist, Brian Kohler, said in 1998: ‘The real choice is not jobs or environment. It is both or neither.’ The social aspects of the transition towards a low-carbon economy are crucial for gaining social approval for the changes that must take

³ International Trade Union Confederation (ITUC) which represents 207 million workers

through its 331 affiliated organisations within 163 countries and territories (2018).

place. Public policies to reduce emissions will face social resistance and significant political risks for governments implementing them if they are not accompanied by social programs for workers whose jobs will be lost or transformed. For these reasons, a commitment to a just transition is vital for all who seek a sustainable future.

Born and developed in the union movement, 'just transition' has now entered the language of the global movement for climate change:

- The *Preamble to the Paris Agreement* (COP21, 2015)⁴ speaks of just transition and the creation of decent work.
- The United Nations (UN) Climate Change Conference in Katowice, Poland (COP24, 2018) adopted the *Solidarity and Just Transition Silesia Declaration*.
- Just transition is referenced in relation to goals 7 and 12 in the 2030 UN Agenda for Sustainable Development (at a meeting held in 2018).
- The European Union has adopted just transition as a major part of its European Green Deal.
- The Green New Deal proposes just transition mechanisms for the United States.

Energy companies: gap between rhetoric and reality

A report titled *Energy transition perspectives and trends* published in January 2021 presents the results of in-depth research measuring corporate strategy against the language of Just Transition. This work was commissioned by IndustriALL Global Union⁵ and carried out by Ineep, a Brazilian research agency specialising in the energy industry.

The report demonstrates how major energy companies are failing to back climate commitments with investment: Most energy companies have embarked on major public relations campaigns using energy transition

language. But their level of investment of capital expenditure in renewables is little. For most it is around 2% or less. (This is based on 2019 figures. The coronavirus pandemic and volatility in the oil price has accelerated investment in renewables, but there is no clear evidence of a change to the overall trend.)

- Companies are, in effect, hedging their bets with their investments in renewables while expecting to continue making the bulk of their income from fossil fuels.
- There is no guarantee of quality jobs by 2050. Most jobs in renewables will be in solar and wind – in manufacturing components and installation with only a small percentage of them in ongoing operations and maintenance.
- Companies have largely failed to communicate with their workforce about energy transition.

'This report shows that energy companies are investing in marketing, not in renewables. They intend to continue with business as usual until they are forced to change by external circumstances. We need to insist that companies lay out clear energy transition plans that meet the requirements of the Paris Agreement, and that they communicate these plans to their workforce. They need to open ongoing negotiations with unions to manage this transition and ensure that skills and jobs are retained. We need to maintain pressure on our political representatives to plan and legislate for a Just Transition.' (IndustriALL energy director, Diana Junquera Curiel)

Sources: *IndustriALL Global Union*, www.industrial-union.org/energy-companies; Kohler, Brian, 1998. 'Just Transition – A labour view of Sustainable Development', *CEP Journal on-line*, Summer, Vol. 6, No. 2; *Katowice Climate Change Conference, United Nations*. Contributed by Pia Zuccclin (Grail Milan). Edited by Alison Healey.

⁴ COP means Conference of Parties to the UN Framework Convention on Climate Change.

⁵ **IndustriALL Global Union**, originating in Copenhagen in 2012, represents more than 50

million workers in more than 140 countries, working across the supply chains in mining, energy and manufacturing sectors.

'We must not focus on occupying the spaces where power is exercised, but rather on starting long- run historical processes. We must initiate processes rather than occupy spaces. God manifests himself in time and is present in the processes of history. This gives priority to actions that give birth to new historical dynamics. And it requires patience, waiting.

Ä contemplative attitude is necessary: it is the feeling that you are moving along the good path of understanding and affection toward things and situations. Profound peace, spiritual consolation, love of God and love of all things in God – this is the sign that you are on this right path.'

Pope Francis, *A big heart open to God: a conversation with Pope Francis*, James Martin 2013

INTRODUCING NETWORK PARTICIPANTS

As the administrator at the International Secretariat, I would say that the information I receive from the Trade and Justice Network is enormous and I appreciate it very much. Even though I don't apply this directly in my work, this network is informative and helps me broaden the scope of my knowledge. It is a very educative platform in my case. I get a lot of updates on what is going on around me as well as in the whole world. The Network helps me be aware of the so many vices which are leading to extreme poverty in our world. The marginalized people continue to suffer in the hands of corporate business and power. When I am with my circle of friends, I share with them the knowledge I have learnt from this network. This applies to my family too. I believe that sharing of knowledge is a powerful tool in development.

Mary Omeda, formerly from Kenya now living in the Netherlands.

My engagement in actions for justice and transformation are focussed in these four areas:

- actions against neoliberal economics and corporate control and power by the most wealthy in the society;
- promotion of renewable resources to reduce global warming and climate change;
- solidarity with indigenous peoples fighting pipelines, destructive mining on sacred sites and unceded lands, and other injustices;
- local Australian attempts to fight against injustices towards refugees.

Actions include participating in civil society petitions, demonstrations and rallies, writing letters and submissions to politicians. In relation to work for refugees and asylum seekers, I spent a lot of time over ten years critically examining poor decisions about granting refugee status, writing detailed submissions for individual refugees and meeting with them to explore their needs for help. Our current illiberal government will not listen to such submissions now, so this work has ceased in the last six years, although I continue to advocate for a more humane situation in Australia.

Margaret Hetherton, Sydney Australia

Contributions to Bulletin and responses to its content are welcomed.

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