

The Taxcast: al-Assad and Guernsey transcript, January 2025

Naomi Fowler: Hello and welcome to the Taxcast, the Tax Justice Network podcast. I'm Naomi Fowler. Coming up later:

Alex Cobham: This isn't so much 'America first,' as 'America only.' This is the clearest, most direct threat to every other country's tax sovereignty.

Naomi Fowler: On day one of his presidency, Donald Trump pulled the United States out of the OECD's global minimum tax deal. So what now? We'll talk to the Tax Justice Network's Alex Cobham.

Before that, a Syrian kleptocrat and alleged war criminal, and the British Crown Dependency of Guernsey.

Audio of Syrians celebrating on the streets

Naomi Fowler: It's December the 8th, 2024. The Syrian regime has fallen. The al-Assad family ruled Syria for more than 50 years. Now, President Bashar al-Assad has fled the country to Russia, and family members are scattered across the world. While they've enjoyed unimaginable wealth and luxury, 90 percent of Syrians, after years of civil war, are living below the poverty line. This is an Al Jazeera report where they spoke with Syrians foraging in a landfill:

Syrians: We come here every morning, scrapping through leftovers and plastics to bring back home and sell to make a living. Sometimes we find food and eat it...

...We struggle day and night working with injured hands, breathing fumes from smoke in the waste. It's a lot of suffering only to earn 4 dollars which is not enough to cover the basics like medicine for us or our children...

...I come here every day to work and help my father who is sick and can't work. I'm helping my father to buy some bread. We have nothing but some clothes.

Naomi Fowler: As well as poverty like this, Syrians have endured brutal oppression. Meanwhile, members of the Al-Assad family were allegedly stealing millions, even billions, from the Syrian state.

As Taxcasters know, theft on that scale is impossible without the armies of professional enablers, lawyers, accountants, company formation agents, corporate service providers, and jurisdictions happy to oblige. I mean, some of

those services are perfectly legal. Some are in a grey area. Others are most definitely not legal. Either way, this global financial architecture does mean you can spirit wealth and assets across the world in ways that can be hard to trace and to repatriate. The Bureau of Investigative Journalism has covered a story that connects the corrupt dictatorship in Syria with the British Crown Dependency of Guernsey.

Rifaat al-Assad: The regime has strong force on the ground which enables it to survive for a long time. War is like a tug of war, attack and counterattack.

Naomi Fowler: This is Rifaat al-Assad in an interview with Channel 4 a number of years ago, when he wasn't in hiding. He's the uncle of deposed Syrian dictator Bashar al-Assad. He's known by Syrians as 'the Butcher of Hama'. This is Ed Siddons of the Bureau of Investigative Journalism:

Ed Siddons: Rifaat al-Assad was the brother of Hafez, who came to power in Syria in a coup in 1970. Hafez ruled Syria with an iron fist, much like his son Bashar will do later, but following an uprising in a town called Hama in 1982, some tens of thousands, the exact numbers aren't clear, it's estimated to be between 10,000 and 40,000 residents were slaughtered by brigades which were under Rifaat's leadership. He disputes the degree to which those alleged war crimes happened under his command directly. But basically after the 1982 massacre in Hama, he seems to have led a failed coup attempt against his brother, but in 1984 he's expelled, he's effectively exiled, and ends up sort of living between, or acquiring properties in Paris, in London, across the Costa del Sol. It seems that most of the time he's in exile, he is living a life of luxury, he has four wives, he has numerous children and grandchildren over time, they all seem to sort of swap between various homes that he's acquired, but then in the 2010s it seems like things take a turn for Rifaat. A French NGO called Sherpa files a complaint in the French courts accusing him of laundering ill-gotten gains, these hundreds of millions that he, that he allegedly took from, from Syrian state funds and turning them into properties across Paris.

Swoosh sound

TV reporter: The judges were damning in handing down this verdict a very short time ago. The judge said that no other sentence apart from a prison sentence would be applicable here, such were the gravity of these crimes, so high were the amounts of money that they found were laundered by Rifaat al-Assad, and such was the organized and structured nature of the money trails they'd been able to piece together from listening to wiretaps and speaking to witnesses going back decades. She said that Rifaat al-Assad personally had

directed this effort to siphon tens of millions of euros away from the Syrian public coffers. Some of Rifaat al-Assad's properties have been ordered to be seized immediately in Paris, where his property portfolio was estimated to be worth around 90 million euros.

Swoosh sound

Ed Siddons: There was also then a Spanish investigation, also into money laundering. Spanish prosecutors alleged that he embezzled around 300 million dollars from, from Syrian public funds, there were also some fraudulent loans with neighboring countries. And around the same time Switzerland also starts looking into his affairs and they focus on the alleged war crimes, so then from around 2013 there is an investigation, he ends up being indicted, there's an arrest warrant issued but basically after 2020 when he's convicted in France, he flees. He flees to Syria. He doesn't spend a day in jail, despite being sentenced by the French courts. Um, he wasn't directly involved in, in the repression of the Syrian civil war. From what we can understand, he now appears to have been allowed back into the fold, and we believe he's in Dubai, but we, we can't be certain of that.

Naomi Fowler: There's a string of investigations that show several banks all over the place ignored obvious red flags. Rifaat-al Assad's conviction in France in 2020 for money laundering and aggravated tax fraud seems to have got the attention of the Guernsey regulator. Because among the multiple jurisdictions he used to structure his enormous wealth was Guernsey. This is Rob Byrne.

Rob Byrne: My background is I'm a journalist, but I'm from Guernsey in the Channel Islands, a British Crown Dependency. And I've reported a bit on the offshore world and I tend to keep an eye on developments there.

Naomi Fowler: In the Tax Justice Network's latest Financial Secrecy Index, we ranked Guernsey at number 10 globally when it comes to financial secrecy levels and significance as a global offender.

Rob Byrne: I had a WhatsApp message from a contact who sent me a regulatory notice in which a person was given a record fine in Guernsey for compliance failures.

Naomi Fowler: These regulatory notices need quite a lot of digging by journalists into what's left out of them, as much as what's in them.

Rob Byrne: In these notices, the underlying clients that they relate to are anonymized and in this one, there was a 'client one.' And the contact of mine said, 'I'll give you three guesses as to who client one is.' I responded Rifaat al-Assad which was based on using the information in the notice about him and essentially one line that, that said that the client had been convicted in a certain year for a certain crime. I'd, using a similar method, found other names, which was kind of the basis of me then going to Ed and, and us wondering whether we could do something more with this ability to find out who the underlying clients are in cases where wrongdoings emerge in Guernsey.

Ed Siddons: Yes, Rob came to us with Rifaat and a couple of other names. And then when we started looking through court records, there were various investigations or prosecutions or convictions in different European jurisdictions, which really shed a light on exactly how much Rifaat al-Assad had acquired and also precisely how he had acquired it.

Naomi Fowler: The person in Guernsey who served Rifaat al-Assad over many years is called Ginette Blondel. The Guernsey regulator fined her a record £210,000 and banned her from various positions of financial responsibility for nine years.

Rob Byrne: She was linked to Assad in public reporting going back, you know, quite a long time. She's a Guernsey resident. 'Blondel,' as it tends to be pronounced in Guernsey, it's a very Guernsey name and she was a, a long time finance worker in the island's financial services sector, had industry qualifications. The notice details that she holds an MSC in corporate governance, which is interesting, and she's also an associate of the Chartered Governance Institute, and she was actually working for a regulated firm, a financial services provider in, in Guernsey, who Rifaat appears to have been a client of, according to the notice. And then she went to work for the family after that in an independent capacity, so left that firm. Some of his client structures were transferred outside of the jurisdiction, but she worked in a personal capacity, independent of that original firm thereafter, and that's how the relationship developed and she started working for him.

Naomi Fowler: We can't talk about the regulated firm, but according to the Guernsey regulator, when she worked at that firm, 99 percent of her work was for the al-Assad family. We don't know how long she was there, but as far as we know, she then left and worked for the family for a further seven years between 2013 and 2020.

Ed Siddons: When you're working in the sector in Guernsey, you both need an individual licence and to be working at an entity that is regulated, which means that the Guernsey Financial Services Commission, who levied this penalty, have a degree of oversight of what you're doing and can enforce against you in cases of malpractice, etc. Um, so she appears to have been working without a license and without one of these regulated firms. And that seems to be the basis, not the only basis, but the basis for the penalty against her.

Naomi Fowler: The regulatory notice also says that Ginette Blondel knew of the serious allegations against her client. We know that during that time, a criminal investigation for war crimes was opened in Switzerland over his alleged responsibility for the Massacre in Hama. And several other complaints of money laundering and embezzlement were filed before his conviction in France in 2020.

Rob Byrne: the team did contact her as part of the right of reply process for the story, we have been able to piece certain things together about her career and about her life. She does also appear in the offshore leaks database relating to the Paradise Papers leaks, so you can see that she has she's been director or been associated with certain entities that were actually related to a different client, but there's sort of linkages that are out there in the public domain, you can see that she's an experienced offshore practitioner and there's hints in what you can find in public places.

Naomi Fowler: Yeah, so I mean, she's got a lot of experience, she's been in the field for a long time. My experience of people who work in that sector in finance are not naive people. Um, even though the Guernsey regulator describes her as how did they put it? Um, 'consistently failed to understand the gravity and consequences of her actions.' You know, broken Guernsey law in her work for her clients, she didn't have 'any anti-money laundering procedures in place' or conduct formal risk assessments on her clients. She breached local laws by managing trusts when only regulated companies can carry out such work, she had 11 simultaneous directorships in breach of a maximum cap of eight.

Naomi Fowler: In fact, the regulatory notice says she simultaneously held a total of 17 directorships. That's because there was an unnamed client 2 she also worked for, which the regulatory notice says was from a politically exposed family from, and I'm quoting, 'a high risk Central Asian jurisdiction.' And I'm still quoting here, 'media sources from at least 2010 allege that the PEP family' - that's *politically exposed person* family - 'were involved in a monopolistic business empire, had close ties with the ruling family of the said jurisdiction and had been allegedly involved in corrupt practices. Ms. Blondel was therefore

aware of the very high risk nature of this client family and the risks she was taking on in providing services to them.' Close quote.

Rob Byrne: Yeah, you know, the people who work in the sector in Guernsey specifically are generally quite well remunerated, average wages for people who work in the islands finance sector are much greater than the average across the whole island. There are obviously areas within the sector that are higher risk than others and you know, the trust and fiduciary sector in which she tends to sit tends to be the highest risk, that's also probably one of the best remunerated sectors as well, even within offshore finance so I think that there is a legitimate question to ask around the application of civil penalties and bans for directorships for people operating in that sector and if they are so highly remunerated, do the bans and the financial penalties really stop, you know, are they an effective deterrent to financial crime? Are they a sufficient punishment when people are actually caught and go through a process like this? And obviously, this is a civil rather than criminal process.

Naomi Fowler: Absolutely. This *is* a civil case, but her biggest problem it seems to me would be that in 2015, after an attempt to set up a corporate structure didn't work out, a million euros worth of funds were transferred into her personal bank account, which she then used to make more than 150 payments to third parties on behalf of al-Assad. Isn't that a criminal matter? Shouldn't it be?

Ed Siddons: Whether it should be a criminal matter, that is for local law enforcement to decide. Um, yeah, I mean, I mean, the regulator, as you say, lays out a lot of different behaviors or practices that it found severely wanting. On the question of money laundering, it, it doesn't quite accuse her, it says that, you know, the commission's considered that these payments led to quote, 'a very real risk that she may have been used to launder the proceeds of crime, a risk which she consistently failed to recognize.'

Rob Byrne: The person is obviously named in this scenario, and you would assume that it's going to have negative consequences for their professional career. In other cases, that isn't always the case, I mean you can see that there are repeat offenders. And you know, while they may be barred from directorships, they may still be able to work in different capacities within the sector, so you know, we can only see so much and we only know so much that's going on within the sector. But I think that's why this is an interesting case because it kind of taps into the fundamental question of whether offshore jurisdictions like Guernsey can effectively police themselves.

Ed Siddons: The problem is not just Guernsey, but you know, in the UK, more broadly in the overseas territories across Europe and in most places in the world is the criminal prosecutions for economic crimes are incredibly difficult to secure convictions, they're often difficult to prove, you know, predicate offenses, often when you're dealing with people, and I'm not saying that this necessarily applies to Blondel here, but when you're dealing with people that have very, very deep pockets, securing convictions is, is incredibly difficult, and Guernsey is no worse than anywhere else about this, you know, I think, I think in England prosecutions for, for money laundering and serious economic crime offences are pretty appallingly low, so yeah, while it wouldn't be for us to comment on whether that is or is not a case here, that is one for the Guernsey authorities, I think it is worth realizing why so many regulators rely primarily on civil penalties, and it's because they're significantly easier to achieve, and also the division of powers in many countries, including Guernsey, separates the civil and the criminal quite clearly. So you know, they've taken very strong action, they don't have criminal powers. And so it's also a question of, you know, which agency this falls to and whether those agencies have the resources, have the time, have the expertise. The question of criminal prosecution for economic crimes is pretty fraught in a number of jurisdictions worldwide.

Naomi Fowler: Yeah, absolutely. I mean, you can make all the laws you like, but if you don't finance proper enforcement, you've got a problem.

Ed Siddons: In publishing this story, I do not think that the problems are unique to Guernsey, but I do think there is there is a pattern of, you know, small islands in particular who are heavily reliant on the financial services sector, who, because it is such a central part of their economy, perhaps aren't as muscular in either regulating or enforcing against that as they might be, were they to have a more sort of diversified economy, were they to have other sort of sources of income, and this is true across all of the UK overseas territories that have become financial centres. I think cracking down on finance is, is very difficult when 60 percent of your GDP is dependent upon that sector seeing you as a jurisdiction which is in some ways favourable.

Naomi Fowler: Yeah, I mean, I think it's a really fair point about how poorly enforcement happens across the board in all sorts of jurisdictions. It's not just a Guernsey problem by any means, but I definitely have seen, like you mentioned, there's the small island phenomenon where, capture of all types can be a lot a lot easier and toxic, especially when there is such dependence, over-dependence on one industry, and this is why you have to diversify economically to stop that kind of thing but let's talk about beneficial ownership registers, because we know that public beneficial ownership registers are one of the best

possible things that these jurisdictions can do to protect the world really against this type of thing from happening again.

Before the European Court of Justice ruling saying that giving the information on true owners of a company interferes with the rights to respect for private life and protection of personal data in terms of the European Union charter of fundamental rights, that was a really big victory for the financial secrecy enabler professions, right? So before that happened, Guernsey, Jersey and the Isle of Man had committed to public beneficial ownership registers. Then 2022, this ruling came in. It slowed everything down. And we think that, you know, with the dragging of feet on this whole thing and the reluctance of the British government to really insist that their crown dependencies and overseas territories make their registers public - and there's lots of problems with the way that's done - but if that doesn't happen, we're going to see more of these al-Assad kind of scandals.

Ed Siddons: Yeah, I mean, I mean, obviously the ECJ ruling was not helpful as an investigative journalist. And I think as early as 2016, 2017, 2018, you started having Parliament stating quite clearly that all Overseas Territories would be expected to provide publicly available information and over time, outside of you know, the Crown Dependencies, in the Overseas Territories and outside of the sort of remit of the ECJ, the battle has just morphed into different issues. So initially it's like, well, no, we don't want to go public. And then there is a sort of concession that yes, something will be public, but it will be publicly accessible if there is a legitimate interest, which essentially introduces a gatekeeper into who is and is not allowed to look at ownership. And I do think there are legitimate concerns around certain rights of privacy but those are routinely wildly overstated. This whole question of ownership is really important and I think that any journalist would want this information to be publicly available.

There is also a second issue of the quality of that information. You know, the UK can go and, and vaunt Companies House as a place where huge amounts of information is made publicly available, but it's also a sewer. The quality of the information is extraordinarily low in lots of instances, people filing late, not seeming to be fined that frequently, although I believe that is currently picking up. And so there's this dual issue. There's the question of it being public and there's the question of the information being of a high quality.

If you take the example of another Overseas Territory - the British Virgin Islands in many respects holds much better information on the companies that are incorporated there in many instances than does the mainland UK. But the problem is that it's very difficult to access. Now, it's not difficult to access if

you're in law enforcement and, of course, they should be, you know, fielding requests, responding in a timely fashion, all of those things, which, from my understanding, often they are. But the difficulty is that when economic crime policing is so under resourced across the world, not just in the UK, not just in Guernsey, not just in the Overseas Territories, then very often it is not journalists following police investigations, it's police investigations following journalists.

We see that in not only the Panama Papers, but also specific kinds of wrongdoing where it has had to take investigative journalists to reveal wrongdoing for the serious fraud office to even consider opening a case. And so if in the current system where things are so underfunded, law enforcement agencies in some respects rely upon journalists, then we need open ownership, we can't just rely on leaks, this can't be left to chance.

Naomi Fowler: What would you like to see happen now to stop you having to report on the next al-Assad type scandal?

Ed Siddons: From my point of view, it would be publicly accessible beneficial ownership registers, ones that have good quality information, ones that are not charging you, which is a tactic that some overseas territories have now turned to for accessing them, and I would like to see much greater transparency from regulators.

In many respects, the Guernsey regulator is doing a good job in publishing, you know, the names, the fines, the years of prohibition. That is not the case in many other jurisdictions across the world. But that is that is what we need to do our job and to police the dirty money sleuthing through London and British Overseas Territories and Crown Dependencies. So yeah, I think the overall ask is transparency, but transparency with information that is reliable.

Rob Byrne: Mmmm. And that's what I'd like to see as well in these places. Often there are other things that you consider to be democratic norms that are, that are lacking. Proper freedom of information laws, whistleblower protection. And I think media in these places have a really important role to play in terms of reporting on what's going on in the jurisdictions they're in. I know firsthand that it's very difficult to report on these cases of wrongdoing and illegality when chances are you know a lot of people who work in this sector. It's a double edged sword. You know, you can get good information, you can get good tip-offs, but you've got to publish it and there's a tremendous amount of pressure exerted there. And I suppose if anyone's listening that's a journalist in one of those places, I would say - keep digging.

Musical interlude

Naomi Fowler: My thanks to the Bureau of Investigative Journalism. Check out the show notes for further reading on that. Now, on the Taxcast, there's so much happening in the United States.

Joe Biden: Today, an oligarchy is taking shape in America of extreme wealth, power and influence that literally threatens our entire democracy, our basic rights and freedoms, and a fair shot for everyone to get ahead. We see the consequences all across America.

Naomi Fowler: That's outgoing President Joe Biden there making an argument that's too little and too late. The dreams of US oligarchs are becoming government policy, even more than before. And tax is always key. On day one of President Trump's inauguration, he pulled the United States out of the OECD's global minimum corporate tax deal of 15%, the so-called Pillar 2. Congress never approved measures to bring the U.S. into compliance with the OECD agreement anyway, but still, this is a big deal because Trump also ordered the U.S. Treasury to prepare options for 'protective measures' against countries that have or are likely to implement tax rules that they say 'disproportionately affect U.S. companies,' even though U.S. companies tend to dominate the global economy. Trump's move has all kinds of implications for the OECD's so-called Pillar 1 rules as well, designed to tax the realities of the digital economy. All of this weakens the OECD, but it could strengthen efforts now to move global tax rulemaking to the United Nations. Here's Alex Cobham of the Tax Justice Network.

Alex Cobham: Look, it's, you know, in some ways it's just a continuation, you know, the Biden administration was going to be absolutely unable to put in place either of the two pillars of the OECD proposal. So in some ways to have Trump come out and say, these are never going to be in the US, doesn't change anything, it just gives you a bit of clarity. But what's different is the associated threat. So what they've said is they're going to give themselves 60 days to investigate the tax rules of every other country and then to propose countermeasures if they think those countries are acting extraterritorially, or with disproportionate impact on US multinationals. That's so broad, but we know from the position that the House Republicans have taken, that they're particularly looking at things like digital sales taxes so, you know, countries taxing the activity that's in their own country. Or things like the Under Taxed Payments Rule in the global minimum tax Pillar Two of the OECD, which is about making sure that if somebody else isn't taxing a particular multinational to the bare minimum, that you're able to top it up instead.

So basically what they're doing is targeting, or threatening to target anyone who's trying to make sure that US multinationals pay some basic minimum rate of tax in the places where they're actually making their money, so a very reasonable thing for countries to want to do. Trump is throwing that over and saying, no, that's the kind of behavior now that we are going to go after and try to punish. So this isn't so much 'America first' as 'America only,' right? It's really saying America is going to be the only country that gets to tax effectively the multinationals that are headquartered there, regardless of where they're making their money.

This is the clearest, most direct threat to every other country's tax sovereignty, including all of the allies of the United States. And they have a choice. They can really decide either to, you know, to put their heads down, to submit to this, to accept that they're not going to be able to make any progress in reducing the profit shifting and the tax abuse of multinationals for at least the next four years, and to give up all of the revenues that might yield, or they can find a way to resist this.

Naomi Fowler: Yeah. What does it mean for the OECD? The rich countries club that's had the power for all this time - whether or not the US ever complied with it or not is another thing - they had the power to pretty much decide on global tax rules to suit themselves. So what does it mean for them as an organization in terms of their power? It weakens them, doesn't it?

Alex Cobham: It, it does. Um, you know, it's not like us to express a lot of sympathy for the OECD, there's no question this is an organisation that has used its disproportionate power to impose inappropriate tax rules on most of the countries of the world. And you know, a process that was supposed to last two years is now in its seventh year, so it's clearly ineffective. What it's delivered are proposals that lack ambition and are highly complex, and will probably now never be put in place. And it's been completely exclusionary in terms of how it's treated non-member countries and even some member countries.

The OECD performs very badly, but at the same time, I think you can feel a little bit sorry for the OECD. If there's a reason they've done all of those things, including upsetting many of their own members, it's because they have bent to the will of the United States, first in the first Trump administration in 2019, then in the new Biden administration, where they had to flip a lot of the things that they'd said previously were the right things because the Biden administration had different views, and they're now going to be punished in effect and they've been threatened with having their funding cut by the House Republicans for delivering as best as they could the desires of the United States to impose upon

every other country in the world. So the idea that they're kind of now facing this from the US itself, I imagine feels rather unfair.

I would say, you know, there is a role for the OECD in providing expert technical support. And there's no question they have very highly resourced tax experts and they can support their member countries in negotiations at the global level. So that's what ATAF, the African Tax Administrators Forum does, for example, for its members, helping them to engage in the negotiations of the UN Tax Convention. The OECD is effectively a regional membership body in just the same way, and I think that's the role that you can see for it in the future. It's not going to host global negotiations, it's not going to be considered as a legitimate body or an inclusive body for that kind of thing, or indeed an effective one. I think its moment there has really gone, but there is still that role for it once it accepts that its ambitions have to be rather lower than they have been until now.

Naomi Fowler: Yeah, in favor of moving to the United Nations, better place for all of it. So, poorer nations, we know they've always been left out in the cold when it comes to tax and the decisions over that, but how does this change things for other members of the OECD's rich countries club member states, what can they do about it?

Alex Cobham: You can think of a pyramid, right? The further up the pyramid you are, the more power you have. The country's at the bottom of the pyramid have been clear forever that the OECD doesn't work for them because they've been excluded from it, prevented from joining it, and when they've been allowed into this inclusive framework, so-called, they've found that that's actually exclusionary too, that they don't have an effective voice. So those are the countries, the G77 primarily, that have been clear for more than two decades now that there needs to be a globally inclusive body under UN auspices.

What's happened increasingly over the last 10 years, I'd say, and especially over the last five, and then really crystallized now in this pronouncement from the Trump administration, is that a lot of countries further up that pyramid, high income countries, OECD member countries, have realized that the same thing applies to them. They too, ultimately have to live with what's basically a U.S. veto at the OECD, and a U.S. veto, which is, you know, really irresponsibly applied because from one administration to the next, we see these enormous swings. And the only conclusion that the other OECD members can draw is that they have to find some other forum to make decisions collectively about tax. So what this does is really crystallizes the fact if other OECD members want to see progress, want to negotiate meaningful and effective international tax rules that

will apply to everyone, not only, but including U.S.-headquartered multinationals, the only place they can do that is at the United Nations with the kind of the collective defense that everyone's there together and if the United States wants to go after anyone, they really have to go after everyone. That's the best, perhaps the only defence that countries now have. It's that, or give up your tax sovereignty.

Naomi Fowler: So if we look at the European Union, EU countries have been really pretty reluctant to shift the global tax rulemaking from the OECD to the UN. And looking at the weakness of so many of these powerful countries in standing up to Trump so far, we do have to hope that these countries will see the necessity of a kind of bloc solidarity we've seen with the Africa Group at the United Nations, but that does take some backbone, doesn't it? And so what will happen if EU countries for example, fail to adapt to this new reality?

Alex Cobham: It's definitely, if you like, you know, divided we fall. If the other members of the OECD, most of whom are members of the European Union, cannot find a collective response then they will be picked off one by one, by the threat of trade measures and tax measures against them.

Naomi Fowler: France and Hungary have been influential blockers when it comes to moving tax rulemaking from the OECD to the United Nations, but for other EU countries, with the US's aggressive stance now, it should start to look clearer than ever before that the United Nations is the best way out of their new vulnerability. The next round of the UN Tax Convention negotiations is February 2025. Alex again.

Alex Cobham: We know that Spain and increasingly Germany and a whole set of others are actually looking very positively at the convention negotiations. We saw Pedro Sanchez of Spain standing up in Davos earlier this week and really taking quite a strong stance against some of the excesses of the Trump administration. We know that Spain is hosting the financing for development process later this year, and they're very keen to see progressive outcomes, so I think what we might see is the European Union taking a more progressive position because it splits and that will allow the member states that really want to engage positively to do so and I think it will end the risk that the European Union says we're out and you know we're just going to stand with the United States and do nothing or give up our tax sovereignty for the next four years. That's probably the optimistic path of what could happen, rather than thinking that the EU is ready immediately to take a positive position as a bloc. I think that will come, but we're not there yet.

Naomi Fowler: Just, just a practical question. The EU when it comes to what it decides to do, what countries decide to do in the UN, EU countries can act unilaterally or they have to kind of form that bloc and vote together as one? So far, they've all voted as one.

Alex Cobham: They have, but they don't have to. And that's the thing. So there's been I think an attempt by some of the opponents within the European Union to say, no, no, no, it has to be a bloc, otherwise we're, we're violating something important. But there isn't a legal basis for that, although some have, some have claimed it.

So what that means is you don't have to wait until you can get the entire bloc to be more positive. You can say, for now, we don't have a common position, so we will go our separate ways. Those who want to oppose can oppose and those who want to support can support. And then, you know, perhaps later there is a, a prospect of coming back together.

Naomi Fowler: Yeah, right. And so, united we stand, divided we fall?!

Alex Cobham: Yeah. There are countries where, you know, one of the significant pressures they face is really the fiscal one. And for those policymakers, I think it's going to be very difficult for them to defend not playing a positive role in the UN convention negotiations, not looking for ways to reduce the, the budgetary pressures they face in order to provide better inclusive public services for their citizens, who've, you know, in many cases suffered significant cuts over more than a decade. So that pressure is real.

But there's another group of countries, particularly in Eastern Europe, who face another type of pressure and that's the threat that they perceive of Russia, if Russia is allowed, as they would see it, to continue with its aggression against Ukraine and not be checked by a US administration. So they would be very concerned about taking any action that that might isolate them from the Trump administration, that might weaken the commitment of NATO. So independently of any view of Russia or Ukraine, that's a reality that they're facing, and it's a pressure that I think, uh, you know, dominates any concerns they'd have about tax.

Our sense is there's a lot of countries there that would be quite supportive of a positive negotiation, but they're not going to push ahead until they know that it can be separated somehow from this question. So these are things that need to be worked out over time.

Naomi Fowler: Hmm. So we've seen the United States under Trump last time pulling out of all sorts of things. Um, they pulled out of the Paris agreement and the last time round it didn't result in the kind of collective action to resist that we need to see now with what's happening around the OECD and tax, global tax rulemaking.

Alex Cobham: I think there are quite a few differences that are important. With the Paris agreement, what other countries had to do in a sense was to remain committed and play their part and really just wait for a better US administration to come along. It wasn't that the withdrawal of Trump sort of undermined any prospect of any progress.

In this case, what Trump is doing with the OECD deal is saying, not only will we not do our bit, but we will take action against those of you who are doing your bit. And that applies to the OECD proposals, but also lots of other much better unilateral measures that countries might be taking to fight tax abuse. So it's a much more direct threat, even to the actions of individual other countries.

But you can think of the parallel of the non-UN convention on cluster munitions, which was deliberately negotiated outside the UN in order to avoid having to have the United States at the table being obstructive. And that was done because the people taking the lead on that, including Norway, had a strong sense that if they got a good convention agreed, it would develop critical mass and in practice, even the opponents like the United States would end up largely adhering to it. And that's exactly what happened. I think in this case, that's probably the relevant parallel.

If you have a good UN tax convention in place, including a good basis for corporate tax rules, that will apply to U.S. multinationals in every country of the world, other than the U.S. And in effect, it will just be a U.S. decision to give up some revenue it could take, they won't be in a position to stop every other country of the world taxing their fair share reflecting the economic activity of those multinationals in their countries. So even if the U.S. never signs up, in practice this will become effective and operational in respect of U.S. economic actors because you'd have the critical mass of a more or less global coalition doing this. My guess is that U.S. multinationals will force the U.S. administration to the table as soon as they understand that this will have implications for the corporate tax that they're paying elsewhere. And then we'll see the U.S. as a reluctant, but necessarily engaged participant in the talks. They may not be very helpful, but with the decision making rules that prioritize a broad majority, rather than providing an individual veto to any country, including the U.S, they won't be able individually to block progress. Because

this is going to happen. There is the possibility for every country in the world to defend their tax sovereignty and eventually the possibility for U.S. citizens to make sure that their government joins in and also starts taxing fairly.

Naomi Fowler: Alex Cobham of the Tax Justice Network. You've been listening to the Taxcast. You can listen to us wherever you get your podcasts, and we've got all the different languages as well, or you can find us on podcasts.taxjustice.net. Thanks for listening. We'll be back with you next month. Bye for now.