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NEWGOV

New Modes of Governance

Integrated Project
Priority 7 – Citizens and Governance in the Knowledge-based Society

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University of Exeter: Claudio M. Radaelli

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PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Summary

This report summarizes the dissemination activities of NEWGOV Project 22 ‘The Changing Governance Architecture of International Taxation’ during the duration of the Project from October 2004 to July 2007. A full list of activities can be found in section 2.

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I. Dissemination Activities

I.1 Meetings/ Briefings

We introduced the outline and research plans of Project 22 at the beginning of the project (months 2-3) to the Group of Policy Advisors as well as to the Centre for European Political Research (CEPS) in Brussels and the Institute for Fiscal Studies in London. During the duration of the project experts we interviewed have been continuously informed and briefed about our ongoing research and its results. Examples for this are the European Commission, the European Council, the OECD, the Tax Justice Network, and numerous academics and practitioners throughout Europe (for a detailed list see Deliverables 3 and 7 – Interview Reports). John Christensen from the Tax Justice Network gave a talk about the fairness of taxation to the Department of Politics and our postgraduate students, as well as John Harris from the Jersey Government, who gave a talk on the tax policy of the Channel Islands.

I.2 Conferences

Over the last three years we participated and presented our research in numerous international conferences and workshops dealing with New Modes of Governance, international and European taxation and the Lisbon Agenda. Examples are the conference on the Lisbon Agenda in Birmingham, November 2004, which resulted in the publication of the conference paper given by Claudio Radaelli, and a conference on new modes of governance in Victoria, Canada, March 2006, which led to two follow-up conferences in Osnabrück, Germany, Autumn 2006 and at EUSA, Montreal, May 2007 and a chapter in a forthcoming book, edited by Ingeborg Toemmel and Amy Verdun. Another example is the Cluster 4 Workshop in Amsterdam, December 2006 (follow-up will be at ECPR in Pisa, September 2007) at which we set out a special issue for Governance, edited by Waltraud Schelkle, with a contribution from our project on the conflict management of the European Commission in the area of direct taxation. Other conferences and workshops, for example on tax law, have been used to build up contacts with academics and practitioners we later invited to Exeter.

I.3 Workshops

Two major events have been the two workshops we organized and hosted at the university of Exeter.

The exploratory workshop on soft law, new policy instruments and modes of governance in the European Union took place in January 2005. It gathered some 20 participants engaged in theoretical and empirical research on soft law and new policy instruments in the European Union. The workshop discussed the following intellectual themes:

1. classification of formal and informal governance
2. interaction between new and old governance
3. emergence of new governance
4. quality of new policy instruments
5. effectiveness of soft law and new governance in general
6. type of social theory better suited to understand new governance

One of the main conclusions of the meeting is that the term ‘soft law’ has limited intellectual mileage, both for lawyers and political scientists. Governance should be studied along a continuum from extremely formal to very informal. The ideal-types of governance which have been identified by the literature should be situated along the continuum.

Another conclusion of the meeting is that in our future work we should look at the interaction between ‘new’ and ‘old’ governance across time and synchronically. Most participants argued that this is more conveniently done when the unit of analysis is a specific policy.

The third conclusion is that when the unit of analysis is a public policy, it can be useful to compare EU governance with other governance regimes, such as the OECD in the case of international tax policy. Some of our initial propositions about EU ‘new’ tax governance need refinement when tested against the OECD experience of tax coordination.

Finally, in terms of social theory better suited to analyse new governance, some participants thought that the classic idea of contrasting winners and losers of governance is useful, although others argued that learning and public deliberation are more important. Clearly both arguing and bargaining interact in new governance, the challenge is to understand how.

The second workshop we organised took place in February 2006. The main aim in this workshop was to promote a high-level discussion among policy-makers, academics, and stakeholders on the concept of public interest in international taxation and its policy implications. Another aim was to broaden the discussion of the public interest in international and EU taxation by highlighting multiple dimensions. This aim was achieved by structuring the workshop around thematic round tables. We made the assumption that there are several contested notions of public interest, and that politically and intellectually it is important to examine how different notions impact on key dimensions of international tax policy.

The workshop followed Chatham House’s rules. It was introduced by two short presentations by Claudio Radaelli and Sol Picciotto, followed by thematic round tables:

1. *The level-playing field.* In the history of the OECD, UN and EU campaigns for tax coordination, there have been several attempts to define the level-playing field for taxation. Recently, the OECD has proposed a comprehensive definition of the playing field. To what extent do definitions of the level-playing field take account of the public interest? How do different notions of public interest modify our understanding of the level-playing field? Looking at club theory developed in economics, can different clubs of countries develop their own definition of the level-playing field, and if so what are the consequences for citizens and corporations of different definitions? How does a focus on harmful tax competition re-shape our understanding of the public interest and what is left out from this re-definition?
2. *Changing patterns of governance and the role of standards.* International organizations and civil society organizations have been very active in the provision of their own definitions of good governance. Academics have pointed out that there are specific patterns of change at work, including social responsibility, evidence-based policy, systematic assessment of policy proposals, consultation, standards of probity for stakeholders involved in the process of policy formulation, duties of care of NGOs, and standards for the democratic use of science and advisors. Do the changing patterns of governance provide more opportunities or constraints in relation to different notions of the public interest? Can standards be used to operationalise the concept of public interest? What is the role of codes of conduct and who should adopt them?
3. *The ethical dimension.* Some civil society organizations have argued that international taxation should not be defined exclusively in economic terms. There is also a moral dimension, including justice, fairness, and more balanced relationships among countries and, within countries, among social classes. International organizations have added to the ethical dimension of international taxation by promoting definitions of harmful tax competition and policy narratives in which fairness plays an important role, as shown by aca-

democratic studies of EU tax policies in the 1990s. What is the current balance between economic and ethical considerations in international taxation? Is it satisfactory? What is the specific range of ethical arguments that should be used in international tax policies? What is the relation between these arguments and the ones used in domestic tax policy? How do capital movements and integrated markets objectively narrow down the space for ethical tax policies based on redistribution, progressive taxation, and world-wide taxation of residents' income? What are the ethical implications of flat tax proposals?

4. *The firm-level context.* It is often the case that the tax strategies of corporations are not discussed by the executive boards. Shareholders are not informed, and only if mobilized by NGOs will they raise their voice on the tax business of their company. Should corporations promote more transparency of their tax strategies and with what instruments? Can shareholders exercise a right to information on the tax business of corporations, and if so who should enforce this right? What is the intersection between corporate social responsibility and taxation? What is the role of international organizations such as the OECD and the UN in this area?
5. *The role of institutions.* Institutions are important players in the definition and delivery of public interest. However, it is not clear what kind of institutions is better equipped to deliver on compliance with notions of the public interest. There are two sets of questions here. First, the issue of institutional design. How do benefits and costs (in terms of public interest) vary when institutions are situated at the local, national, and international level? There is a clear subsidiarity and decision-costs argument for delivering public interest to communities with highly similar preferences, hence small communities of people. But there are also externalities and defection problems which suggest that the only suitable dimension for the public interest is global. Yet this would allocate external decision costs (following Buchanan and Tullock) if the global community contains heterogeneous preferences in terms of the public interest. Second, in terms of democratic theory, it is not clear whether non-elected institutions such as Courts, the European Commission or the OECD should be in charge of public interest policies. Yet the evidence shows that non-elected institutions have often been more sensitive to the international dimension of the public interest than governments, as the latter care more about their revenue base than about international tax fairness.

For detailed reports on both workshops see Deliverable 2 and 9.

I.4 Publications

Results of the research undertaken in the context of NEWGOV have been published or are in the process of being published. The following list gives an overview of our publication activities:

Radaelli, Claudio, 2006, Who learns what? Policy learning in the Context of the Open Method of Coordination, *Journal of Comparative Policy Analysis*, forthcoming (2008)

Radaelli, Claudio and Ulrike Kraemer, New Modes of Governance in Direct Taxation, in: Toemmel Ingeborg and Amy Verdun (eds.), *New Modes of Governance in Europe*, Lynne Reiner, forthcoming

Radaelli, Claudio and Ulrike Kraemer, Governance Arenas in EU Direct Tax Policy, in: *Journal of Common Market Studies*, forthcoming (2008)

Radaelli Claudio and Ulrike Kraemer, Shifting Modes of Governance – The OECD and International Taxation, paper to be submitted as *EUROGOV working paper*

II. List of Activities – NEWGOV Project 22

Date	Event	Activity
4-5/11/2004	Conference in London: “Global Governance and the Role of Non-State Actors”, Organised by the LSE (Carr), AHG and WZB	Participation Claudio Radaelli and Ulrike Kraemer
26/11/2004	Conference in Birmingham with policy practitioners and academics: “Lisbon Agenda Seminar Series” funded by the ESRC	Paper given by Claudio Radaelli: “Who Learns What? Policy Learning in the Context of the Open Method of Coordination”
23/11/2004	Briefing to the Group of Policy Advisors, Matthias Levin	Claudio Radaelli
23/11/2004	Meeting with Karel Lannoo, executive director, Ceps, Brussels	Claudio Radaelli
9/12/2004	Meeting at Royal Institute of International Affairs, to discuss the EU economic policy priorities with a group of international scholars	Ulrike Kraemer
13/12/2004	Meeting with Alexander Klemm at the Institute for Fiscal Studies, London	Claudio Radaelli and Ulrike Kraemer
13-15/01/2005	International Workshop at the University of Amsterdam “Shifting Relations in Governance in the EU: Winners and Losers of Informal Governance”	Paper given by Claudio Radaelli and Ulrike Kraemer: “The Rise and Fall of Informal Governance’s Legitimacy: The Case of Direct Taxation”
28/01/2005	International Workshop at the University of Exeter on Soft Law, New Policy Instruments, and Modes of Governance in the EU	Organised by Claudio Radaelli and Ulrike Kraemer, Paper given by Claudio Radaelli and Ulrike Kraemer
14/04/2005	Talk to the Department of Politics in Exeter by John Christensen, Tax Justice Network and Interview afterwards	Organised and hosted by Claudio Radaelli and Ulrike Kraemer
30-31/05/2005	Newgov Consortium Conference	Participation and presentation of project 22 by Claudio Radaelli
17-18/06/2005	International Workshop on Transformation of the Nation State: Taxation and Police at the International University Bremen	Participation Ulrike Kraemer; Paper given by Claudio Radaelli and Ulrike Kraemer: “Shifting modes of governance”
7-8/07/2005	Tax Workshop at Essex University	Participation Claudio Radaelli; Paper given by Claudio Radaelli and Ulrike Kraemer: “EU corporate taxation: New governance or new politics?”
21-22/10/2005	Tax Conference in Ann Arbor, University of Michigan, Law School	Participation Ulrike Kraemer

Date	Event	Activity
8/12/2005	Talk to the Department of Politics in Exeter by John Harris, Jersey government	Organised and hosted by Claudio Radaelli and Ulrike Kraemer
27/02/2006	International Workshop on The Public Interest in International Taxation, University of Exeter	Organised and hosted by Claudio Radaelli and Ulrike Kraemer. Introduction given by Claudio Radaelli.
2-4/03/2006	Governance, policy-making and system-building of the European Union' International Conference at the University of Victoria, B.C. Canada	Participation Ulrike Kraemer; Paper 'New Modes of Governance in International taxation' given by Claudio Radaelli and Ulrike Kraemer
22-23/06/2006	Newgov Consortium Conference	Participation and presentation of project 22 Ulrike Kraemer
15/09/2006	Tax Workshop at the International Bureau for Fiscal Documentation in Amsterdam	Participation Ulrike Kraemer
2-4/11/2006	International Conference: Governance and Policy Making in the European Union, Osnabrück, Germany	Participation Ulrike Kraemer. Revised paper on new modes of governance in international taxation given by Claudio Radaelli and Ulrike Kraemer
7-8/12/2006	Newgov - Cluster 4 Workshop in Amsterdam	Participation Ulrike Kraemer
16-17/02/2007	Tax Conference on ECJ case law in Vienna	Participation Ulrike Kraemer
17-19/05/2007	EUSA Annual Conference in Montreal, Canada	Participation Claudio Radaelli; Final draft of paper on new modes of governance in international taxation given by Claudio Radaelli and Ulrike Kraemer
6-8/09/2007	ECPR Annual Conference in Pisa, Italy	Paper on conflict management of the European Commission in the area of direct taxation by Claudio Radaelli and Ulrike Kraemer