

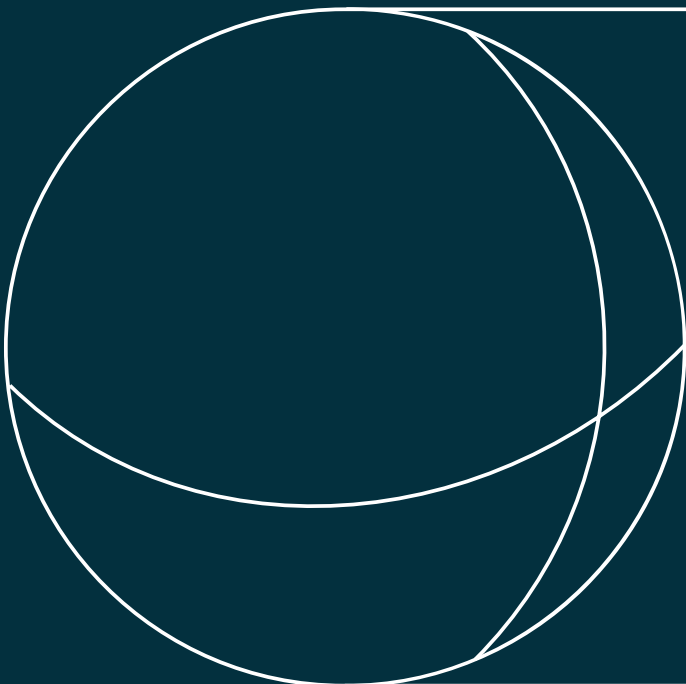
research report

Reforming Global Tax Governance:

OECD and UN Paths to Effective and Participatory Tax Reform

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Abstract

Global tax governance has long struggled with ineffectiveness, as reflected in rising corporate tax avoidance that costs governments hundreds of billions of dollars annually. In response, the Organisation for Economic Co-operation and Development (OECD)/G20 advanced the most ambitious initiative to date — the global minimum tax under its Two-Pillar Solution — which began to take effect in 2024. Yet this reform faces significant challenges: the United States insists on recognition of its unilateral minimum tax, developing countries offer limited support for the initiative, and carve-outs threaten to undermine the reform's effectiveness. In 2024, the United Nations launched negotiations on a parallel Framework Convention on International Tax Cooperation, which was instigated by developing countries. Drawing on 13 semi-structured interviews and analysis of relevant documents, this report finds that while the OECD emphasises effectiveness, the UN prioritises participation. Neither forum currently ensures a reform process that is both effective and participatory, and future progress will depend on addressing this trade-off.

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Introduction

In the late 2000s, the effects of globalisation, accompanied by rising capital mobility and intangible assets, put pressure on the stability of the international tax regime, exposing its limits in addressing these new dynamics. This led to a blurring of the distinction between residence-based (developed, capital-exporting) countries — primarily Organisation for Economic Co-operation and Development (OECD) members — and source-based (developing, capital-importing) countries (Rixen 2011). Under the residence principle, multinational profits are taxed where the parent company is headquartered (or where it is a “tax-resident”), whereas the source principle grants taxing rights to the country where the income is generated. As multinational enterprises have become more mobile and profitable, their dependence on their residence countries has declined (Hearson and Rixen 2020), leading to a redirection of taxable profits towards low-tax jurisdictions. Furthermore, the arm’s length principle that underpins transfer pricing rules — a central pillar of the tax treaty-based system — has proven largely ineffective in curbing profit shifting, particularly in the context of an increasingly digitalised global economy in which intangible assets such as intellectual property and digital services play a growing role. Profit shifting increased from roughly 2 percent of

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global profits in 1975 to approximately 37 percent in 2019 (Wier and Zucman 2022), costing governments hundreds of billions in lost revenue annually (Garcia-Bernardo and Janský 2024; Tax Justice Network 2024a; Tørsløv Wier and Zucman 2023).

Governments have long struggled to curb these practices. Competitive tax cuts triggered a race to the bottom, prompting coordinated action via the G20 and the OECD. The OECD’s Inclusive Framework on Base Erosion and Profit Shifting (hereafter Inclusive Framework), which now includes 147 jurisdictions (OECD 2024a), became the main forum for setting global tax rules. Its most ambitious reform, the 2021 global minimum tax (under its Two-Pillar Solution), was agreed by 139 countries, which together cover 90 percent of global gross domestic product, and was implemented in the European Union and six other developed countries in 2024.¹ This represents both a major innovation in international taxation and a rare case of multilateral consensus. In line with the ENSURED project’s conceptual framework — which focuses on robustness (rule stability), effectiveness (ability to deliver results), and democracy (participation and inclusivity) — the key purpose of the global minimum tax was to provide an effective solution to tax avoidance while building on the democracy dimension derived from the participatory nature of the Inclusive Framework. Nevertheless, growing dissatisfaction among developing countries regarding both the effectiveness and the equality of participation in the OECD-led process prompted a parallel initiative under the United Nations, led by the African

¹ This was the number of countries as of June 2023. Initially 136 countries announced the decision; see OECD 2021.

Group. These efforts culminated on November 27, 2024, when the UN General Assembly adopted a mandate to draft a *Framework Convention on International Tax Cooperation* (hereafter the UN Tax Convention) to combat multinational tax abuse, with nine developed countries voting against the resolution (UN 2024b).

This report traces the evolution of global tax governance within two key policy arenas: the OECD/G20 Inclusive Framework and the emerging UN-based process. It draws on 13 semi-structured interviews, three background discussions, and an analysis of relevant documents, assessing these initiatives through the lenses of effectiveness, robustness, and democracy (Choi et al. 2024).

We argue that the OECD/G20 reform has faced two central challenges. First, the United States, although closely involved in the initial negotiations, insisted on the recognition of its unilateral global minimum tax (Global Intangible Low Tax Income or GILTI) — a demand which was accommodated in June 2025 by means of a “side-by-side” arrangement with OECD members (US Department of the Treasury 2025). Under this arrangement, the US existing minimum tax regime for its multinational enterprises (MNEs) is effectively treated as equivalent to the OECD’s Pillar Two (or global minimum tax) rules. Second, developing-country participation remains constrained, despite the Inclusive Framework’s promise of “equal footing” (Christensen et al. 2020; Interview 10). Several African countries, including Kenya and Nigeria, withdrew from the process, citing limited benefits and excessive administrative burdens (Goni and Lucystar 2021). This discontent, which was intensified by post-pandemic fiscal pressures and the effects of the war in Ukraine, increased the momentum behind the UN Tax Convention.

Since the launch of both of these initiatives, the positions of key actors have diverged. Under the second Trump administration, the US has stepped back from both the OECD and the UN processes in favour of unilateral measures. A small group of developed countries continues to oppose the UN initiative, while EU member states have shifted from opposition to abstention. Most African, Asian, and Latin American countries — which together make up the largest group — support a broad UN Tax Convention. These divisions raise questions about whether the UN process will evolve into a lasting foundation for global tax governance or remain primarily a political declaration by the Global South. Developing countries alone have sufficient votes to approve new protocols by the required two-thirds majority (as established by Decision A/AC.298/CRP.9). Yet the decision to focus the second of the two agreed protocols on less contentious topics — a measure which is intended to keep developed countries, particularly the EU, engaged — suggests that developing countries are open to substantive outcomes over symbolic agreement.

Our study reveals that the evolution of global tax governance has been primarily an effectiveness-driven process, aiming to curb tax avoidance by means of increasingly coordinated international frameworks. From the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project to the Two-Pillar Solution, the OECD has sought enforceable outcomes, while the creation

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of the Inclusive Framework reflects growing pressure to ensure democratic participation. However, as political dynamics have fluctuated, the OECD has shifted its focus towards retaining US engagement by implementing carve-outs. In doing so, its approach has increasingly prioritised robustness over ambition, gradually eroding the reform's effectiveness. In contrast, the emerging UN process represents a shift towards greater equality and inclusiveness, even at the expense of lower immediate effectiveness.

Challenges and Pressures in International Corporate Taxation

The principles of modern international corporate taxation can be traced back to the League of Nations' 1928 model treaties (Picciotto 2024), when the first double taxation treaties (DTTs) were implemented to prevent taxing the same income twice: e.g., once in the country where it is earned (the source country), and again in the country where a firm is based (the residence country). To achieve this balance, countries adopted a system of separate accounting, where each subsidiary of an MNE is treated as an independent entity for tax purposes. The prices that these branches charge each other for goods and services (known as transfer prices) are meant to follow the arm's length principle, meaning they should be the same as prices that unrelated companies would use under normal market conditions. This is meant to prevent MNEs from unfairly shifting profits between countries.

While this system was initially viewed as an effective safeguard against double taxation, it has become increasingly ineffective in today's globalised and digitalised economy (Rixen 2011; Hearson and Rixen 2020). Large MNEs have learned to exploit differences between national tax systems by manipulating transfer prices allowing them to shift profits to low-tax jurisdictions (Hearson and Rixen 2020; Christensen et al. 2020). The result is a paradox: a framework originally intended to prevent double taxation has, in practice, facilitated double non-taxation, meaning that profits escape meaningful taxation in both source and residence countries (Rixen 2011).

From a political economy perspective, this outcome reflects the structural limitations of global tax governance. The international tax regime has been characterised by "soft multilateralism" and "hard bilateralism" (Hearson and Rixen 2020) as states cooperate by means of treaties while retaining sovereignty over core tax decisions (Stewart 2025). The OECD, often considered the "caretaker of the international tax regime" (Brauner 2014), institutionalised this balance with its Model Tax Convention (OECD 1963), which largely favoured residence-based taxation. By the early 2000s, approximately three-quarters of all DTTs reflected the OECD's model (Avi-Yonah 2007; Picciotto 2024). The UN's competing 1980 model convention sought to strengthen the source principle and enhance developing countries' taxing rights, yet its influence has remained limited. As Thomas Rixen (2008) argues, international tax cooperation has always been a sovereignty-preserving exercise, designed to facilitate cross-border investment without ceding meaningful authority to multilateral institutions. As such, it has produced a system that fails to ensure effectiveness, as defined in the ENSURED framework (Choi et al. 2024), in preventing tax avoidance or providing a meaningful and equitable distribution of taxing rights and revenues between residence and source countries.

Efforts to coordinate responses preventing companies from exploiting loopholes in the network of DTTs were limited, as several advanced economies benefited directly or indirectly from tax competition. Financial

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centres such as the City of London, certain US states such as Delaware, and the British Crown Dependencies profited from low-tax regimes (Shaxson 2011). Moreover, the largest MNEs that engaged in profit shifting were typically headquartered in powerful OECD countries (Garcia-Bernardo et al. 2017), which constrained collective action. As Rixen (2008)

argues, the OECD's reliance on soft power — which is rooted in voluntary cooperation among member states — undermined its ability to enforce meaningful constraints on tax avoidance, especially given that many facilitators of tax avoidance were themselves OECD members. The global financial crisis of 2007–2008 marked a turning point. Fiscal pressures, rising public debt, and successive tax scandals — such as LuxLeaks (2014) and later the Panama Papers (2016) — transformed international tax from a technical issue into a deeply political one (Christensen and Hearson 2019). The leaks exposed how elites and corporations systematically avoided taxation by fragmenting operations and exploiting regulatory mismatches, thanks in part to liberalised capital markets, digitalisation, and financial innovation. Thus, taxation has become a shared concern for both developed and developing economies, as each faces substantial revenue losses from profit shifting (Tørsløv Wier and Zucman 2023; Tax Justice Network 2024a). These dynamics brought international corporate taxation to the centre of global economic governance, highlighting not only revenue needs but also questions of fairness and legitimacy, as the world's most profitable firms continue to benefit from single-digit effective tax rates.

The OECD/G20 Process

The increasing scepticism over redistributing taxing rights and sourcing more revenue — a core concern when it comes to effectiveness — led to mounting calls for the institutional reform of global tax governance. In 2013, the OECD and the G20 jointly launched the BEPS Project to address the tax avoidance strategies enabled by globalisation and digitalisation (OECD 2013). To broaden participation and prevent further fragmentation, the OECD subsequently established the Inclusive Framework, which comprised 147 jurisdictions as of May 2024 and serves as the main platform for developing and monitoring international tax rules. The 15 subsequent BEPS Actions aimed to close loopholes, strengthen transfer pricing rules, and enhance transparency. Yet as Thomas Rixen and Brigitte Unger (2021) note, these changes primarily enhanced regulatory cooperation rather than altering the structural incentives for profit shifting, as many countries remained reluctant to exchange fiscal sovereignty for deeper multilateralism.

This situation induced unilateral action. Around 2020, several states introduced Digital Services Taxes (DSTs) to capture revenues from highly digitalised firms that could operate without any physical presence, thus avoiding permanent establishment rules (Harpatz 2023). For example, as Young Ran Kim and Darien Shanske (2022) illustrate, if a US multinational sells advertising to a German company within the UK, it can simply channel payments directly from Germany to the US without establishing a UK entity.

France (GAFA tax 2019), Austria (Digital Tax Act 2020), and the United Kingdom (Digital Services Tax 2020), among others, established DSTs, targeting large technology companies that were paying minimal taxes in Europe. Non-OECD members such as India and Kenya followed suit. Yet given their disproportionate impact on US tech companies, pushing for the removal of these measures soon rose to the top of the US foreign economic policy agenda, as we will discuss below.

The Two-Pillar Solution

The limited effectiveness of BEPS in responding to the structural challenges posed by digitalisation and the rise of DSTs (Báez and Brauner 2019) led the OECD to launch a new reform under the umbrella of the Inclusive Framework in 2021, namely the Two-Pillar Solution (OECD 2021). Pillar One sought to reallocate taxing rights from residence to market jurisdictions, responding to the fairness concerns that had motivated DSTs. By linking part of multinationals' taxable profits to the locations of users and sales, it aimed to adapt tax rules to a digitalised economy no longer dependent on physical presence. Yet political compromises limited the scope of this Pillar to roughly 100 of the world's largest firms, and implementation has repeatedly stalled amid technical and political disagreements (Interviews 10, 13, and 14).

By contrast, Pillar Two emerged as the reform's most tangible outcome. It introduced a global minimum tax of 15 percent for multinational groups with revenues above €750 million, enforced through a coordinated system of 'top-up' taxes designed to prevent profit shifting even without universal adoption. By 2024, the EU (with Directive 2022/2523) and several other developed countries had implemented these rules, marking the first concrete step towards global minimum taxation (OECD 2024b; PwC 2025). However, concerns about participation — one of the core indicators of democratic governance under ENSURED's conceptual framework (Choi et al 2024) — have prevailed. Some countries joined the Inclusive Framework not because they were enthusiastic, but because they were facing normative or coercive pressures (Oei 2022). Others perceived the process as externally imposed, echoing concerns that formal participation did not translate into substantive influence (Interviews 7, 9, and 12). Furthermore, the US has since emphasised its commitment to preserving national tax sovereignty (US Department of the Treasury 2025).

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The UN Process

The BEPS process raised persistent concerns about participation. Although the Inclusive Framework promised participation "on an equal footing" (OECD 2016), the power to set the agenda largely remained with leading member states (Interview 12). Many developing countries felt that their role was more symbolic than substantive, with outcomes often perceived as imposed rather than negotiated (Interviews 3, 10, and 12). As one interviewee put it: "The intentions behind the IF [Inclusive

Framework] solutions were good, but it did not work out very well. [...] This is why we have the UN Tax Committee, and we may ask whether it was really necessary if the IF would be perceived as a fair forum, which it was not" (Interview 10). Dissatisfaction with the OECD framework

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thus provided new momentum for the process at the UN, where one-country-one-vote offers developing countries a stronger voice and a platform to advance their concerns.

This discontent crystallised in 2023, when Nigeria, on behalf of the African Group, tabled a resolution at the UN General Assembly to begin work on a Framework Convention on International Tax Cooperation (Nigeria, UN Group of African States 2023). By December 2024, the first protocol was agreed upon, focusing on the taxation of cross-border services in a digitalised economy. The OECD had failed to implement this issue, despite growing tensions around DSTs (Chowdhary et al. 2024). The second protocol, adopted in February 2025, addressed tax dispute resolution. At the same time, member states agreed on voting rules: a simple majority for procedural matters, and a two-thirds majority for substantive issues.

In sum, global tax governance reform is not a single process, but breaks down into two parallel initiatives pursued through the OECD and the UN, respectively. Both seek to enhance the effectiveness of international cooperation to prevent tax avoidance, yet they diverge in their underlying priorities. The OECD has emphasised enforceability and technical precision but has often left its broader ambitions for reform unfulfilled. The UN process has sought to complement these efforts while ensuring a more participatory process for developing countries.

Major Actors' Positions

Our analysis examines five actors with substantial influence over the evolving architecture of global tax governance: the US, the EU, China, Brazil, and the African Group. Each plays a distinct (though sometimes overlapping) role: as key jurisdictions hosting multinational enterprises under the residence-based system, as driving forces in efforts to reform the institutional frameworks of global taxation at the OECD and UN levels, or, in the case of Brazil, as champions of procedural stability and continuity within the forum.

The United States

The US is a pivotal actor in international corporate taxation due to the strong international presence of its MNEs. Washington has shaped debates on profit shifting, base erosion, and tax transparency (Hakelberg 2020) but has often avoided binding multilateral instruments, as demonstrated by its unilateral Foreign Account Tax Compliance Act (FATCA), its preferential bilateral arrangements (IRS 2025), and its own version of the global minimum tax, known as GILTI (Global Intangible Low-Taxed Income). The US has also been an influential policy actor behind the Two-Pillar Solution — albeit an unwilling one (Interview 11). Faced with the global spread of DSTs, the US has recognised the need for a multilateral compromise. After negotiating its constrained form, Democrats supported the Two-Pillar Framework: Treasury Secretary Janet Yellen called it “an historic agreement [...] that will end the damaging race to the bottom on corporate taxation” (US Department of the Treasury 2021). Yet Republicans opposed it, blocking its adoption twice in the Senate (Avi-Yonah and Salaimi 2022), despite evidence that the US could benefit from the broader minimum tax approach (Clausing 2020).

The US has also been an influential policy actor behind the Two-Pillar Solution — albeit an unwilling one.

Under the second Trump administration, the US position has been clearer. It demanded the recognition of GILTI as equivalent to Pillar Two on global minimum tax (Interviews 1, 6, and 10), effectively carving out US multinationals from the OECD regime. In June 2025, the administration advanced this objective by agreeing to a “side-by-side” arrangement with the OECD, leaving the technical details for future negotiation (US Department of the Treasury 2025; Interview 13). Whether other countries will accept this arrangement remains uncertain. Shifting domestic politics, particularly the potential return of a Democratic administration, could undermine US unilateralism (Interview 2).

Toward the UN process, the administration is less amenable: officials view it as a direct threat to US business interests, and in February 2025, the US delegation walked out of the General Assembly, declaring: “We reject the very nature of these discussions” (United States Mission to the United Nations 2025).

China

China's role in international tax lies at the intersection of the Global North and the Global South (Interview 11). It increasingly views taxation as a tool to advance its MNEs' international competitiveness and to shield them from excessive foreign taxation as they expand abroad (Christensen and Hearson 2022). Like the US, China integrates multinational taxation into its broader foreign policy objectives (Interview 1). Uniquely among developing countries, it operates a residence-based corporate tax system with controlled foreign corporation rules, similar to the US model (Cui 2021). To support this model, China has used DTTs as a key instrument to leverage its power (Christensen and Hearson 2022). Yet despite its rising influence, China has remained cautious when it comes to active involvement in the global tax governance reform process (Chen 2025; Interviews 1, 5, 10, and 11). This hesitation can be partly explained by the

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limited domestic revenue gains it expects from Pillar Two (Chen 2025) and its relatively modest exposure to profit shifting compared to advanced economies; its estimated losses range from -2 to 17 percent of profits, versus more than 20 percent in countries such as the US or Germany (Tørsløv Wier and Zucman 2023; Garcia-Bernardo and Janský 2024).

In international forums, China generally seeks compromise and often presents itself as a bridge between other countries. At the UN, China was initially reluctant to engage with debates on the UN Tax Convention but has recently taken a more active role (Interview 5). It emphasises the need to work within the scope of existing rules and to ensure that new measures do not hinder cross-border investment and trade (People's Republic of China 2025). Wei Cui (2021) sums this up as follows: China may support any global tax reform that carries little direct cost, as the main goal of its support would be to reinforce its image as a constructive multilateral actor.

The European Union

When it comes to tax matters, the EU is perceived as a strong supporter of multilateralism. In particular, Directive 2022/2523 on the implementation of global minimum tax has underscored the EU's strong support for and commitment to the multilateral process in tax governance. However, as taxes remain a matter for individual member-state policy, the EU's role (or that of the Commission) in international forums is limited in certain respects, and the country interviewees noted mismatches among member states' expectations and preferences on tax topics (Interviews 5, 2, and 10). The UN Tax Convention debates offer one example of this: the EU strongly emphasises consensus-based voting and recognises the possibility that the bloc may sustain losses rather than making gains in these debates (Interview 1). Nevertheless, many countries view the EU as a key partner in any effort to pursue global tax reform. Stakeholders broadly agree that the choice of the non-controversial topic of tax dispute resolution as the second protocol of the UN Tax Convention was something of a concession to developed countries, particularly EU member states, in order to keep them engaged in the debates (Interviews 6, 9, and 10).

Currently, the EU actively supports the global minimum tax, ensuring the robustness of the agreement both through its own implementation efforts and in its negotiations with the US on a “side-by-side” arrangement, which nevertheless remains a significant source of uncertainty (Interview 8). In the context of the UN process, the EU’s position is that the Framework Convention should not duplicate ongoing work in other forums (Hungary 2024).

Brazil

At present, Brazil stands between the two systems. On the one hand, it is one of the few major economies outside the OECD to back the global minimum tax, which makes it an important partner for the OECD/G20 and contributes to the reform’s rule stability (Interview 1). On the other hand, Brazil remains active in the UN tax process, shaping debates by proposing a wealth tax on individuals during its G20 presidency (Brazil 2024).

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Brazil’s support for the global minimum tax may be surprising, given its already high corporate tax rate: a 15 percent flat tax plus a surtax and a social contribution on net profits, totalling 34 percent. However, the extensive use of tax deductions left many firms paying very low effective rates (Gobetti 2025). The adoption was therefore strategic, creating a new source of revenue while ensuring that Brazil collects the top-up tax domestically rather than leaving it to foreign jurisdictions (Ministério da Fazenda 2024).

At the UN, Brazil stresses that international tax cooperation must reduce inequalities, promote sustainable growth, and avoid harmful competition, especially for developing countries (UN 2025a; UN 2025b). It calls for a fair, inclusive, and development-oriented framework that restores taxing rights to source countries, strengthens domestic resource mobilisation, and moves beyond declarations towards binding rules on equitable allocation (UN 2025a; UN 2025b).

The African Group

The African Group, subsequently joined by Pakistan, has expressed dissatisfaction with the OECD/G20-led process, in which they feel their voices are not being heard (Interview 10). The most critical remarks about the OECD/G20 process — not only from the Global South — concern the technical complexity of the model’s rules, which could impose a heavy administrative burden on tax administrations (Interviews 6, 7, and 9) and the emptying of the global minimum tax by tax incentives. As one interviewee noted regarding the effect of global minimum tax: “Nobody talks about profit shifting anymore, everybody talks about the tax incentives” (Interview 3). Developing countries would clearly welcome a proposal granting greater taxing rights to source countries, as envisioned under Pillar One of the Two-Pillar Solution (Interview 3).

For developing nations, led by the African Group, revenue mobilisation is essential. Yet progress has been hindered by slow and inadequate funding that should have been provided through the Financing for Development framework (Interview 10). Moreover, the effects of COVID-19 and the Russian invasion of Ukraine, along with the resulting decline in EU development assistance (Interview 10), have further deepened these challenges (Interview 5). Finally, Global North country representatives feel that the Global South, represented by the African Group, simply wants to transfer the process to the UN, where it feels more at home and where it holds a majority (Interviews 1 and 11).

Other Countries

Other countries also play important roles in these processes. Developed economies such as Canada, Australia, and Japan have largely favoured the OECD-led process, expressing scepticism of the processes underway at the UN, where they lack a majority and fear that they stand to lose more than they gain (United Nations 2024; Interview 1). A group of small- to mid-sized countries have also voiced general scepticism: “We first have to comply with all the rules that have come out of the OECD in order not to be grey-listed or blacklisted, and now there is a second parallel process” (Interview 9).

India, meanwhile, has been actively implementing unilateral measures: it has imposed DSTs on foreign companies since 2016 (Ministry of Finance of India 2025). The US has strongly criticised these measures, arguing that they discriminate against US firms, and has threatened retaliatory tariffs. In 2025, seeking to de-escalate trade tensions, India fully repealed its DSTs (Ahmed and Kumar 2025).

MNEs are equally important actors, exerting a strong

influence over the multilateral tax negotiations through lobbying.

Two additional groups merit attention: tax havens and multinationals. Tax havens have played an active role in global minimum tax negotiations (Avi-Yonah and Kim 2022), with countries such as Ireland and the

Netherlands seeking influence within the narrower body of the Inclusive Framework (Interviews 1 and 10). Yet after US lobbying, even Ireland ultimately withdrew its opposition and agreed to a 15 percent minimum tax rate (Interview 1). MNEs are equally important actors, exerting a strong influence over the multilateral tax negotiations through lobbying, especially in the US. However, MNEs are not a monolith, and their positions regarding taxation diverge depending on their business model; globally oriented firms such as Google tend to favour different rules than domestically focused companies such as Walmart (Avi-Yonah and Salaimi 2022).

Table 1: State Mapping — The UN Tax Convention and Global Minimum Tax

	Effectiveness	Robustness	Democracy
United States	• Biden administration supported multilateralism in the OECD • Second Trump administration favours unilateral solutions that would be recognised by the OECD and openly criticises the UN process	• Central to the Biden administration and the OECD process • In contrast, second Trump administration undermines rule stability in OECD and UN processes and threatens retaliation if the rules are fully applied to US companies	Not applicable
China	• Neutral towards both processes as it expects few gains • Favours current rules while preserving preferential regimes for (quasi-) domestic centres such as Hong Kong	• Not threatening to exit the system or to retaliate if the OECD global minimum tax is applied, but shows no signs of implementing it • Remains notably non-vocal in UN process	• Not a particularly important issue, but offers a means to signal support for multilateralism
European Union	• Views OECD proposal as effective • Some member states doubt certain aspects of the proposal, e.g., revenue gains and effects on competitiveness for EU businesses • Member states are more hesitant about UN process, fearing disadvantages	• Main defender of OECD proposal and its rule stability • Fears UN process could undermine support • Stresses non-duplication of agendas • Internal divisions have led to general neutrality and abstention	• Holds ambivalent position • Supports participation with tools such as capacity building • Prefers consensus-based decisions, since EU can be easily overruled by developing countries in a vote
Brazil	• Welcomes both OECD and UN proposals • Views OECD and the UN processes as tools to address gaps in its own system, to mobilise revenue, and to reduce inequalities	• Stresses engagement at both forums • Other members see its support as important to the overall robustness of OECD reform	• Stresses importance of broad participation, with inclusivity and fairness as central principles • Less concerned than others about spreading negotiations across multiple forums
African Group	• Prioritises revenue mobilisation and securing a fair share of tax income; argues that OECD process fails to deliver this • Looks to UN as forum better suited to developing countries' development needs	• Considers this unimportant in OECD process since process lacks effectiveness and participation anyway • Supports it in the UN process by agreeing on topics acceptable to at least part of the developed world, particularly the EU	• Voices concerns about limited participation under the OECD/G20 Inclusive Framework • Views UN process as more equitable based on one-country-one-vote principle

Reform Trajectories Since 2013

In this section, we trace the key milestones that have shaped international corporate tax governance over the past decade. Table 2 summarises these developments, highlighting how successive initiatives — from the 2013 BEPS Action Plan to the 2025 UN Tax Convention protocols — reflect a gradual shift in institutional authority from the OECD to the UN. Together, these turning points illustrate how effectiveness, robustness, and democratic participation have evolved as competing priorities within global tax reform.

Table 2: Milestones in the Evolution of International Corporate Tax Governance Since 2013

Year(s)	Organisation	Milestone in (attempted) reform of the international tax regime
2013	OECD	BEPS 1.0 Action Plan
2015	UN	Addis Ababa Action Agenda confirms that the UN will not be granted an expanded mandate on international tax
2016	OECD	OECD/G20 Inclusive Framework created to expand tax negotiations beyond OECD membership
2017	US	Introduction of unilateral global minimum tax, known as the Global Intangible Low-Taxed Income (GILTI)
2021 (December)	OECD	Model Rules for Pillar Two (global minimum tax) released by the OECD
2024	OECD	Global minimum tax adopted by 33 countries
2024 (August and December)	UN	UN Framework Convention on International Tax Cooperation (UN Tax Convention) drafted and formally adopted; first protocol topic agreed
2025 (February)	UN	Second protocol topic of the UN Tax Convention agreed; decision-making rules for voting adopted
2025 (June 26)	OECD	US formally withdraws from global minimum tax under the OECD framework

These milestones illustrate the increased interest in reforming the current architecture of global tax governance, which has become increasingly ineffective. As the challenges of profit shifting intensified, the balance of influence on global tax governance began to shift. Emerging economies such as China, India, and Brazil gained prominence in shaping the international tax agenda, reflecting broader shifts in global economic power (Brauner and Pistone 2015; Interview 11). At the same time, both developing and developed countries faced mounting fiscal pressures following the 2008 financial crisis, with renewed political attention on corporate tax avoidance (Christensen and Hearson 2019). The need for revenue revived political will. Both G8 (UK Government 2013) and G20 (2012) countries called for a solution to tax avoidance that would build on previous transparency-focused efforts via platforms such as the Global Forum or the Financial

Action Task Force (FATF) (G20 Research Group 2011). As a result, in 2013, the OECD produced an initial report titled: “Addressing Base Erosion and Profit Shifting” (OECD 2013).

The OECD/G20 Inclusive Framework

The pressures to ensure greater inclusivity in global tax governance culminated in the establishment of the OECD/G20 Inclusive Framework in February 2016. This move was a response both to mounting legitimacy concerns and to developing countries’ growing calls — amplified at the 2015 UN Addis Ababa meeting — for a more representative global tax forum (Interview 5). The official purpose of the forum was “an inclusive dialogue on an equal footing to directly shape standard setting and monitoring processes” (OECD 2016). Yet the OECD has never clearly defined what “equal footing” means, and persistent doubts about the framework’s democratic character remain (Christensen and Van Apeldoorn 2018). Membership in the Inclusive Framework requires countries to commit to BEPS minimum standards, such as tax information exchange (OECD 2025). As a result, more than 50 (often low-income) countries have remained outside the process (OECD 2024a). For many developing economies, the main barrier has been their limited technical capacity rather than a lack of political will. OECD (2014a; 2014b) surveys have highlighted these implementation challenges, and the organisation has made capacity building and knowledge transfer a central pillar of its implementation of BEPS (Burgers and Mosquera 2017). But despite OECD efforts, capacity remains a pressing issue: “There is still a lack of capacities of countries to talk about complex topics, tax administrations are very busy and sometimes understaffed, so their people are not often available” (Interview 4).

The OECD has never clearly defined what “equal footing” means, and persistent doubts about the framework’s democratic character remain.

The Inclusive Framework has also faced challenges in the form of unilateral action. Even during the early stages of OECD-led multilateralism, the US Congress made it clear that, regardless of the Treasury’s position, it would pursue rules designed to favour US companies (Hatch and Ryan 2015). Similar signs of prioritising domestic interests came from countries such as Australia and the UK (Burgers and Mosquera 2017).

The Two-Pillar Solution

Growing frustration with the ineffectiveness of existing measures to prevent tax avoidance, amplified by the rise of DSTs, drove negotiations and helped to define the Two-Pillar solution as a preferable alternative to fragmented unilateral action (Interview 11). Pillar One was framed as a way to redistribute a share of MNEs profits to market jurisdictions, thereby reducing the pressure to impose DSTs and limiting the direct disproportionate impact on US tech firms. From the start, however, the Trump administration resisted, arguing that the proposal would divert excessive revenues from the US (Mnuchin 2020).

The initial design of Pillar One targeted the largest and most profitable companies. In an effort to win congressional support, the Biden administration narrowed the scope to roughly 100 multinationals, those with the highest revenues and profitability (Gottlieb and Davison 2021). This shift reflected not only domestic politics but also the threat of widespread DST adoption looming on the European horizon (Thomas and Strupczewski 2020). Yet Republican lawmakers remained opposed, arguing that under such a system, the US would lose more revenue than it gained (Lowry 2019). With US opposition unresolved, Pillar One has stalled,

OECD implementation timelines have repeatedly been postponed, and many countries now view the proposal as effectively deadlocked (Interviews 1 and 3).

Rule sequencing ensures that if one country fails to implement the minimum tax, another can claim the revenue instead.

By comparison, Pillar Two — in the form of a global minimum tax — proved more promising. In contrast to Pillar One’s plan to redistribute parent company income, ending tax competition between states by setting a minimum tax rate under Pillar Two was viewed

as less politically harmful to developed countries, which could also profit via increased tax revenues. Importantly, this second pillar was grounded in an institutional mechanism designed to create pressure for adoption. Rule sequencing ensures that if one country fails to implement the minimum tax, another can claim the revenue instead — leaving non-adopters at risk of losing tax income. This structure functions as a built-in enforcement mechanism that incentivises countries to adopt the rules (Christians and Magalhães 2022; Ministério da Fazenda 2024). Pascal Saint-Amans, the former director of OECD’s Centre for Tax Policy and Administration, described this as the “devilish logic” of Pillar Two, which was intended to guarantee its effectiveness (Peters 2023). In practice, this interlocking design means that even partial participation can sustain the system’s integrity. Empirical estimates suggest that the G7 countries and the EU alone could ensure the effectiveness of the global minimum tax, as the vast majority of MNEs are either headquartered in these jurisdictions or conduct substantial business activities there (Devereux et al. 2023).

Global Minimum Tax: Implementation and Compliance

The global minimum tax (Pillar Two) was designed to function even without universal adoption. The primary means of ensuring that countries comply with the reform so it could achieve its intended outcome — or what the ENSURED conceptual framework would term its effectiveness (Choi et al. 2024) — was to raise additional tax revenues with top-up taxes on firms paying below the agreed 15 percent rate. Many governments carried out revenue projections before committing to implementation (Interviews 6, 10, and 11), and some jurisdictions judged the expected gains insufficient to offset the administrative costs (Interview 6). Estimates suggest that a domestic minimum tax of 15 percent could increase corporate tax revenues by approximately 2 percent in a country with a statutory tax rate of 21 percent (Boukal et al. 2024).

Despite the intent to close low-tax gaps under Pillar Two, many countries have used institutional loopholes to comply formally while limiting the reform's real impact. The main challenge lies in tax incentives, which sustain pockets of low taxation (Interview 3). The Pillar Two rules neither explicitly prohibit nor permit specific incentives but rather differentiate between those that are “favoured” under the framework (such as grants and qualified refundable tax credits) and those that are not (including non-qualified or non-refundable credits and deductions, such as those for research and development) (OECD 2021). In response, several countries have redesigned their incentives to appear compliant while also preserving their competitiveness. Ireland, for example, converted its research and development deductions into refundable credits and expanded the scope of these credits (gov.ie 2025). Such measures have weakened the reform's revenue potential and caused tensions with other countries, notably the US, which has pushed for broader recognition of tax incentives (US Department of the Treasury 2025; Interview 13).

Despite the intent to close low-tax gaps under Pillar Two, many countries have used institutional loopholes to comply formally while limiting the reform's real impact.

After 33 jurisdictions implemented global minimum tax in the form of Pillar Two in 2024 (OECD 2024b), progress slowed. By mid-2025, the OECD reported that discussions were ongoing in just 67 countries (Corwin 2025). The US remains hesitant due to incompatibilities between its tax code and the OECD rules, as well as concerns that the “devilish logic” of Pillar Two rules would allow foreign jurisdictions to tax the profits of US companies operating below the 15 percent threshold simply because they have subsidiaries in the EU. Tensions peaked in the first half of 2025, when the Trump administration threatened retaliation (Section 899 of the One Big Beautiful Bill Act), but a G7 compromise in June excluded US companies from Pillar Two's scope and recognised the 2017 US minimum tax as equivalent (Cole and Dunn 2025; US Department of the Treasury 2025). Some observers argue that this agreement has enabled the US to secure its long-standing goal of treating GILTI as the global standard (Interviews 10 and 11).

Reluctance among developing countries has further slowed the adoption of Pillar Two. For many, the reform entails high administrative burdens, with more than 1,000 pages of rules to be implemented (Interview 3 and 6). As a result, momentum has shifted towards the UN process, where mainly the Global South sees greater prospects for advancing their interests.

The UN Steps Into the Frame

Growing dissatisfaction with the Inclusive Framework — in terms of both limited participation and doubts about its ability to deliver effective solutions — pushed many developing countries to look for alternatives. However, the counterargument with respect to inclusivity is to note the “difference between not being heard and not getting what you wanted” (Interview 11). These structural concerns were later compounded by new fiscal pressures following COVID-19 and the war in Ukraine, when some development aid was redirected. Taxing multinationals came to be seen as one of the most accessible ways to mobilise additional revenue

(Interview 5). In November 2023, under UN General Assembly Resolution 78/230, tabled by Nigeria on behalf of the African Group, member states agreed to begin work on a UN Framework Convention on International Tax Cooperation (Nigeria, UN Group of African States 2023).

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In 2024, two key UN Second Committee votes followed. In August, the terms of reference were approved, with the first protocol agreed as “taxation of income derived from cross-border services in an increasingly digitalised and globalised economy” (UN 2024a). This choice directly reflected the stalled OECD negotiations and Pillar One’s uncertain future (Chowdhary et al. 2024). The US, the UK, Canada, Australia, Israel, Japan,

South Korea, New Zealand, and Argentina² opposed the final vote, but as the Tax Justice Network (2024b) has noted, these countries accounted for 43 percent of global revenue losses from cross-border tax abuse. The UN’s legal and institutional mandate was approved in December, with the establishment of the Intergovernmental Negotiating Committee under Resolution 79/235. February 2025 brought agreement on a second protocol covering tax dispute resolution, along with a decision on voting rules. Developed countries pushed for consensus, while the African Group favoured a simple majority vote. The compromise — a simple majority for procedural matters and approval of the Framework Convention text, and two-thirds for the approval of the protocol text — was reached with Latin American states holding the swing vote (Interviews 1 and 10). Nevertheless, whether these UN negotiations will bring about a genuine reform of global tax governance remains to be seen. The discussion on tax dispute resolution, though conducted in a collaborative spirit (Interview 13), can only result in capacity building, improved communication, and exchange of best practices — objectives which are also important to developing countries (Christensen 2024).

The OECD process has produced policy outcomes but has not been inclusive, while the UN process is inclusive but faces deep scepticism over whether it can also deliver effective results (Interview 12). Furthermore, financial constraints are still a major challenge for many jurisdictions. The intentions of these reform processes are ambitious, but implementation capacity continues to lag (Interview 4).

Unexploited Potential for Reform

Global tax governance is marked by important reform dynamics, particularly within the UN, as well as persistent challenges at both institutional and political levels. The US continues to shape the atmosphere of negotiations, securing carve-outs from the OECD process, resisting DSTs, and threatening retaliation against unilateral measures. While this strategy advances US interests, it risks undermining the “devilish logic” of Pillar Two, as other countries may now demand similar exemptions (Interview 12). Recent G7 discussions have raised further concerns by calling for broader

² Argentina initially abstained during the vote on August 16, 2024 (UN 2024a) but later joined the group of opposing countries at the November session (UN 2024b).

recognition of tax deductions under the name of “material simplifications,” potentially eroding the reform’s effectiveness (US Department of the Treasury 2025; Interview 12).

The OECD and its Pillar Two also face growing implementation challenges. Many non-adopting countries remain sceptical based on the framework’s technical complexity (Interviews 3, 6, and 7) and the limited expected revenues it offers (Chen 2025; Interview 6). According to PwC (2025), numerous adopters have opted for domestic minimum taxes rather than full compliance with the OECD framework. This represents de facto rather than de jure compliance and is mainly intended to prevent other countries from benefiting from top-up taxation. In practice, several jurisdictions have designed their incentives in such a way as to remain formally aligned with OECD’s Model Rules while effectively maintaining very low tax rates, thereby undermining the reform’s impact.

As a result of Pillar Two’s potential hollowness, some of the momentum towards international tax reform has been transferred to the UN, where common topics have been agreed upon and parts of the agenda seem to elicit shared viewpoints (Interviews 5, 6, and 14).

For both the EU and developing countries, this represents a significant opportunity. If participants can broadly agree that the OECD/G20 Inclusive Framework lacked inclusivity (Interviews 3, 6, 10, and 12), then the UN tax process can at least claim to provide it. The core challenge is the urgent need for an effective solution to problems inherent in the original BEPS framework and the lack of confidence over whether the UN forum can provide this (Interview 2). The project’s ambitions are also unclear. Whether this process will serve primarily as a political statement — given the developing country majority — or whether it will produce a lasting framework for international taxation remains to be seen (Interviews 11, 13, and 14).

As a result of Pillar Two’s potential hollowness, some of the momentum towards international tax reform has been transferred to the UN.

Institutional Reform: Evaluating the EU and Its Member States

The EU is often portrayed as a leader and a reformist in the global tax regime, developing systems that parallel and sometimes go beyond the work of the OECD or the US (Hezfeld 2019). For example, with the Anti-Tax Avoidance Directive 2016/1164 (ATAD), the EU not only implemented OECD standards, but also sought to ensure a common approach to corporate taxation across member states (Interview 4). Yet taxation remains closely tied to national sovereignty, and the diverging positions of EU member states have repeatedly constrained EU initiatives or its legislative process (Interview 8). To circumvent unanimity requirements, the European Commission has at times framed tax transparency measures as internal market legislation, which requires only qualified majority approval in the Council. This strategy enabled the adoption of the Public Country-by-

Country Reporting Directive 2021/2101, for instance (van der Made 2016). By contrast, the global minimum tax has been classified from the outset as a direct tax measure and therefore required unanimous support.

The diverging positions of EU member states have repeatedly constrained EU initiatives or its legislative process.

This requirement has exposed deep internal divisions. During the negotiations on Pillar Two in 2021, nine member states voiced opposition, with Ireland, Hungary, and Estonia emerging as the strongest opponents (Avi-Yonah and Kim 2022). Despite these internal hurdles, the EU has remained a consistent advocate for the global minimum tax, presenting it as a central tool for financial development and a reform that should be extended globally (European Commission 2025). Looking ahead, the EU's institutional framework gives it some advantages. The adoption of Directive 2022/2523 on Pillar Two provides a common legal basis for member states, simplifying future negotiations by ensuring that discussions proceed from a shared position (Interview 4). At the same time, the EU's credibility as a reform leader will continue to depend on its ability to reconcile the conflicting preferences of its member states.

Diverging preferences on effective solutions have been even more visible in the UN negotiations, where differences among EU member states have appeared more pronounced than in other forums (Interview 5). This most likely explains the EU's abstention during the final vote (Interview 11). As one interviewee noted: "the EU has been seen more as a follower and dragged mainly by the ambitions of the African countries" (Interview 5). Nevertheless, the effectiveness of the UN process has been shaped by the distinct perspective adopted by EU member states in this forum. At the UN headquarters in New York, where delegations are usually represented by officials from foreign affairs ministries, certain EU countries have taken a more open and constructive approach to dialogue and negotiation. By contrast, if these positions were filled by finance ministries, then the stances of some European countries would likely have been more conservative and resistant to compromise (Interview 5).

The EU's impact on the robustness of international tax reform is visible in both processes: Pillar Two and the UN Tax Convention. As one interviewee put it: "We had been unsure about the status of the global minimum tax and its future, but when the EU Directive was approved, that was the moment we knew — now it is happening" (Interview 6). The EU's adoption of Pillar Two, including rules enabling the taxation of its MNEs outside its territory, also triggered concerns that some top-up taxes might flow back to the EU rather than being collected domestically (Interview 12).

The UN process has disclosed a shared view that negotiations should be complementary and not directly opposed to EU member states' positions. This was evident in the choice of the second protocol on tax dispute resolution, which was considered the least controversial of the proposed topics (Interviews 6, 9, and 10). UN discussions may also prove valuable for the future, offering a platform for cooperation between the EU and developing countries, which is often missing in areas other than tax.

The EU has traditionally sought out partners with similar profiles (such as Canada and Japan), and indeed, they jointly proposed dispute resolution as a topic. By engaging more actively with developing countries, the EU could make better use of the opportunities provided by the UN tax negotiations (Interview 12). Yet this dynamic remains problematic. On taxation, the EU often adopts a more rigid and less conciliatory stance than in other areas, such as climate policy or financing for development. Its position is often less aligned with that of developing countries, leaving diplomats who represent developing countries in an unfamiliar situation, as they have been accustomed to broader consensus in other policy areas (Interview 11).

On taxation, the EU often adopts a more rigid and less conciliatory stance than in other areas, such as climate policy or financing for development.

Nevertheless, stakeholders view the EU as an actor that could potentially do more. While the majority recognise that the US is the most powerful player, as a bloc, the EU also wields considerable influence and could sometimes push harder to ensure stability in the rules, especially in the face of US pressure. Individual states may lack this level of influence, but collectively the EU certainly has the power to limit US unilateral action (Interview 6).

From the perspective of democratic participation, the EU does invite other countries to join discussions and plays a substantial role in capacity building (Interviews 7 and 9). Many stakeholders see the EU supporting organisations that provide valuable technical expertise to tax administrations, which is broadly welcomed (Interviews 6 and 9). Yet others perceive its approach to financing as misjudged. Some argue that the EU places too much emphasis on funding multilateral initiatives and organisations rather than fostering direct dialogue on substantive issues (Interview 12). Moreover, when it does engage in such discussions, it is often from a somewhat paternalistic standpoint, with heavy emphasis on specific terminology and formulations — an approach that can lead it to disregard other states' views (Interview 12).

Conclusion: Between Convergence and Fragmentation

The history of international tax cooperation has long been defined by a divide between residence and source countries over the right to tax. Globalisation and digitalisation have blurred these boundaries, but they have also intensified the erosion of tax bases across both groups through aggressive profit shifting and the proliferation of low-tax jurisdictions. Our report shows that OECD and UN reform initiatives embody different versions of the same trade-off. The OECD/G20 Inclusive Framework has prioritised effectiveness, producing enforceable policy outcomes by means of a technical design. Yet this focus has revealed its limits: developing countries have voiced concerns about the depth of their participation, while the OECD's ambition has been gradually hollowed out as a result of efforts to keep the US engaged. As the reform's substance weakened, many developing countries turned to the UN in search of a more democratic process. However, although the UN initiative promises broader participation and a stronger voice for the Global South, its level of ambition is unclear, and the question of whether all countries are willing to commit to binding measures remains uncertain. The future of international tax cooperation will thus depend on whether these parallel efforts can converge into a process that is both inclusive and capable of delivering tangible results. Here, we offer three possible trajectories for how global tax governance may develop.

The OECD's focus on maintaining participation could lead to a global minimum tax in name only.

The first scenario envisions continued *fragmentation*, with countries pursuing their own preferred approaches and reverting to unilateral measures. This would leave the OECD depleted and the UN process without the momentum it needs to succeed. Early signs of this outcome are visible in the fate of Pillar

Two, which has been weakened by carve-outs and political compromises. The G7's 2025 endorsement of a "side-by-side" arrangement with the US, equating US GILTI with OECD minimum tax, further eroded uniformity. These developments risk reducing Pillar Two to a formally inclusive but substantively hollow framework. In this context, countries might again resort to unilateral measures, such as digital or withholding taxes — a situation which would revive the very instability these reforms aimed to overcome. Meanwhile, momentum could shift towards the UN. Yet without binding commitments, the risk of continued policy fragmentation persists.

The second scenario anticipates the *continuation of the OECD-led reform*, but at the cost of protracted, increasingly technical negotiations and reduced ambition. Under this rubric, determined to preserve institutional legitimacy and robustness, the OECD and its member states would continue promoting the global minimum tax while progressively lowering ambition. This would lead to the broad disintegration of any common approach. This trajectory aligns with the European Commission's (2025) current framing of the minimum tax as a tool for mobilising revenues in developing economies, suggesting that — for now — the UN process

remains secondary. In this scenario, the trade-off between effectiveness and robustness becomes central. The OECD's focus on maintaining participation could lead to a global minimum tax in name only. Some of our interviewees (12 and 13) highlighted growing concern that this dynamic could lead to the coexistence of domestic minimum taxes that diverge from the OECD Model Rules (2022). Several adopters already favour domestic minimum taxes over strict adherence to OECD rules (PwC 2025). This pragmatic, *de facto* approach limits the enforcement of top-up taxes while preserving nominal compliance. As major economies seek flexibility, the effect of deterring profit shifting may weaken.

The third scenario envisions a gradual *leadership shift to the UN*. The success of the UN process will likely depend on whether it manages to generate practical and effective mechanisms, potentially with more modest initial ambitions, such as standardised reporting, peer review, or coordinated dispute resolution. These could sustain participation while maintaining at least some degree of credible enforcement. The trade-off between participation and effectiveness will continue to play a role, with ongoing uncertainty over how ambitious the UN process can realistically be. As we have seen, the OECD's Pillar Two has already moved away from its original balance between participation and strong ambitions, leaving this space open to the UN. A breakthrough at the UN could emerge if developing countries find common ground with at least part of the developed world.

The EU's evolving position in this process will be pivotal: while it continues to prioritise the OECD, its recent abstentions in UN votes signal some progress. The EU is in a unique position, bridging high- and middle-income economies with both strong administrative capacity and a political mandate to promote fairness in global taxation. This gives it not only the motivation but also the responsibility to help forge a viable and balanced solution. Constructive engagement in the UN process could allow the EU to shape a framework that is both inclusive and operational, mitigating fragmentation while reinforcing its credibility as a global governance actor.

The success of the UN process will likely depend on whether it manages to generate practical and effective mechanisms.

List of Interviews

Number	Date	Interviewee	Location
1	02/12/2025	Country representative*	Online
2	02/21/2025	Country representative	Online
3	04/07/2025	Intergovernmental organisation representative	Online
4	04/10/2025	Intergovernmental organisation representative	Online
5	04/23/2025	Intergovernmental organisation representative	Online
6	05/27/2025	Country representative	In person
7	05/28/2025	Country representative	Online
8	05/28/2025	Intergovernmental organisation representative	Online
9	05/30/2025	Country representative	Online
10	06/02/2025	Country representative	Online
11	06/04/2025	Country representative	Online
12	07/28/2025	Anonymous	Online
13	08/27/2025	Country representative*	Online
14	09/02/2025	Non-governmental organisation representative	Online

* Represent the same stakeholder

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