Eduardo Baistrocchi’s *A Global Analysis of Tax Treaty Disputes* provides an unprecedented collection of expertly written reviews of the tax treaty disputes in OECD countries, BRICS countries and beyond. Each of the country reporters – a particularly impressive group of renowned experts in the field – provides a comprehensive analysis of tax treaty disputes in their respective jurisdictions. They all responded to a standardised questionnaire formulated by the editor, which sought answers to a wide and thoughtful set of questions. The questionnaire, and the experts’ replies, left no stone unturned. They covered a wide variety of issues and perspectives: they considered the economic context, the domestic structure of the law for solving tax interpretation disputes, the effect of strategic considerations in interpreting treaties, the use of soft law (eg, the OECD commentary) as a viable interpretive source and the potential differences between active and passive income. The contributors explored the dynamics of tax treaty interpretation, and, importantly, sought to draw a picture of the evolutionary path of treaty interpretation, discussing their convergence among. Finally, the questionnaire invited the reporters’ evaluation regarding the future of tax treaty interpretation disputes.

This comprehensive survey provides ‘the first practical implementation of the suggestion made by Klaus Vogel and Rainer Prokisch that a central collection of cases concerning the application of tax treaties should be established to facilitate the work of courts around the world’ (7-8). Moreover, one of the key contributions of this book is to provide the groundwork for a ‘big picture’, comparative perspective on treaties and their interpretation, in search of global trends and directions. It allows us to draw comparisons between countries (and groups of countries), to refer to differing time periods, and to observe variations among treaty sections. Together, the examples, the data and the analysis in this book serve as a snapshot of the universe of international taxation in the pre-BEPS era, which will hopefully allow researchers to re-evaluate on a periodic basis ‘the extent to which the 2015 BEPS Reports trigger structural changes in the patterns of tax treaty disputes’ (8). This is indeed an invaluable source of information for tax practitioners as well as researchers studying the turbulent area of international taxation, and of particular importance in the current era of international taxation when the scope and depth of international cooperation are being considered.

The enormous amount of information which the book provides as well as its thorough analysis demonstrate an increasing convergence of tax treaties gravitating towards the OECD model. The book highlights the network structure of international taxation, which has evolved over the years from a mechanism that ameliorates international double taxation to ‘a platform that fosters international tax competition among virtually all jurisdictions in the world’ (1456, 1540). It seems to leave open the question of whether a *binding* international tax regime exists – and allows readers to make their own informed decision about that. Whether states feel obliged to conform with...
the international regime or not, the clear result, according to this book, is that they increasingly converge towards a uniform standard – the compatible standard of the OECD model tax convention.

The detailed survey offered by the participants of the project allowed Baistrocchi together with political scientist Martin Hearson to produce an illuminating quantitative analysis, exploring variations among jurisdictions, developments across time and nuances in the application of the standard among countries. Drawing on this analysis, they conclude that “the core architecture of the ITR is a “Co-opetition” game implemented by means of a two sided platform’, where countries apply their differing competitive powers based on the joint platform of the OECD model’s standard. In this depiction of international taxation, the soft laws produced by a small group of countries create a platform, ‘On one side of the platform, the central users are leading jurisdictions . . . on the other side of the platform, the central users are international investors . . . ’ (1541). Countries, it is argued, engage in international tax competition within a compatible standard – the compatible standard of the OECD model tax convention (1455, 1538–1546). ‘Indeed’, the book argues, ‘all G20 and beyond countries have been increasingly using OECD-based legal technology in international taxation. Tax treaties and relevant domestic tax regulations are increasingly grounded on concepts compatible with those of the OECD MTC’ (1455).

Network theory has an important explanatory power in the context of international taxation. In particular, it helps to explain the convergence of states’ policies into the single standard of what has come to be called an international tax regime. When successful, compatible standards facilitate such convergence, encouraging members to join the network and stay within it. Telecommunication networks – where the value of a telephone or a fax machine increases with every additional user – are a famous example of a compatible standard which becomes more attractive the greater the number of users that apply it. By joining or staying in a network, users benefit from the compatibility with other users, and thus have an inherent incentive to join and stay within the network. Similarly, in the area of international taxation, the tax treaty network sets standard patterns of interaction across jurisdictions, thus saving much of the transaction cost associated with taxpayers’ investment in foreign jurisdictions. The use of common legal mechanisms streamlines the way individuals and corporations do business, as well as the ways governments negotiate treaties. In this way, the network of tax treaties and the model it adheres to provide network externalities to their users, making the use of the standard attractive.

As the book demonstrates, the OECD model tax treaty is extremely popular among states. In commercial terms, we can say that this standard has taken over the market for tax treaties. The popularity of this standard and the incentives it provides for users to expand its use can explain how a standardised regime could have evolved and can thrive even in the current decentralised and competitive international tax arena, despite the absence of an official enforcing authority. Historically, OECD countries were the ones that cooperated in leading the market of international taxation by creating the OECD model treaty. Other countries followed. The result of this process was that a vast majority of states
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have become part of the tax treaty network and thus part of the international tax regime. This is no doubt an impressive development in the almost 100 years of international taxation preceding the BEPS accord, which the book so convincingly describes. The book further notes that the network’s compatible standard ‘channels international tax competition into areas that are not regulated by the OECD MTC’, including corporate income tax rates and – what is particularly important in the context of the book – ‘the enforcement quality of tax treaty law by a decentralized network of tax administrations and courts in the G 20 and beyond’ (1444).

The book celebrates this convergence and applauds the role of the tax treaty standard as the engine of the international tax regime. Indeed, the network structure of international taxation, and the fact that so many states adhere to a single compatible standard no doubt has its advantages. The standard not only saves transaction costs for taxpayers and governments alike, it also helps to reduce barriers for cross-border economic activities – in bridging foreign tax systems and making them more accessible to foreign investors – and it allows governments to build on existing mechanisms and learn from the experience of other nations that have been using them. Importantly, it does all that with no explicit coercion, by simply offering states the convenience of a single standard. Once such a standard is adopted by enough users – which is, the book demonstrates, the case for international taxation – it becomes self-enforcing, as the network externalities it provides not only incentivise current users to keep using it, but also newcomers to join in.

And yet, it is important to note that the advantages of self-enforced stability are not without costs. First, this enhanced incentive for cooperation, which is networks’ greatest asset, could become the basis for the emergence of cartels as well as the extraction of monopolistic rents. The benefits of the network not only incentivise states to join the network, but also serve as an effective sanction against defectors. Thus, standard-initiators could exploit the network by extracting cartelistic gains against potential competitors and monopolistic rents from its consumers. This could both explain the extra benefits enjoyed by developed countries and provide a more precise explanation for the fact that developing countries join and remain in the network despite the limited benefits they derive from the specific arrangements for the alleviation of double taxation and the excessive price they must pay in tax revenues.

Second, once a network – such as the tax treaties network – is established, it is very hard to have its users shift to a different standard, even if it is superior. Tax treaties – though extremely popular – are far from flawless. Indeed, the book highlights some of these flaws, such as triple non-taxation which induces free riding and the increasing opacity of the international tax regime which limits accountability and further induces cartelistic behavior (1544). And yet, as the book notes, the lock-in effect of networks makes a shift to an alternative standard unlikely. The recent efforts to open the door for non-OECD countries to contribute insights on the model’s desirable orientation could well represent such a shift. However, stirring the treaties network to pursue new goals would be extremely challenging, especially if dominant members would strive to preserve their favorable position.
One important conclusion of the book is that ‘the OECD and G20 should attempt to move the ITR to a new and better equilibrium point: more transparency in all central dimensions of this strategic game’ (1545). Another interesting result of the book’s quantitative analysis is that procedural articles in treaties have been consistently less litigated than other, more substantive articles. Therefore, the book argues, focusing on the procedural aspects of the current standard may prove more productive in facilitating a shift towards an improved standard, despite the lock-in affect.

The snapshot of the current stage of the international tax regime which this book provides can help policymakers in designing the next stages of its development. Specifically, if – as seems plausible by the efforts to push forward the common reporting standard and the multilateral instrument – standardisation will increase in the near future, we must not only applaud its potential benefits, but also be aware of its potential pitfalls. Accordingly, a process that aspires to strengthen and improve the network structure of international taxation should include safety measures of at least two kinds: a mechanism that would allow for its ongoing updating, as needs arise, in order to avoid the lock-in effect; and no less important, a mechanism that limits cartelistic behavior by standard-initiators. The risks entailed in a network which is too successful may lead to the conclusion that the fact that the current international tax regime leaves tax rates out of its equation may be a good thing. The same may be true even for the relative independence of enforcement mechanisms in different countries. The first can serve to limit cartelistic power, while the second may allow states to price-discriminate among users of the treaty regime increasing the regime’s flexibility. International tax policy is at a crossroads. Further standardisation is a double edged sword: it carries great promises and significant risks. A Global Analysis of Tax Treaties Disputes helps in identifying both promises and risks, and is an invaluable resource for policymakers in designing their next move as well as for the future assessment of new policies.

Tsilly Dagan*


If the sub-title may seem a trifle self-congratulatory, the main one may mislead. It would be more accurate, if more cumbersome, to say, ‘Law Reports Re-Written from a Children’s Rights Perspective’, leaving the book’s aspirations in no doubt. In recent years, there have been a number of books published writing alternative feminist judgments for numerous important cases in a number of jurisdictions, including, eg, R. Hunter, C. McGlynn and E. Rackley (eds), Feminist Judgments: From Theory to Practice (Oxford, Hart Publishing, 2010).

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