Who Cooperates to Stop Tax Evasion? Explaining Commitments to Automatic Exchange of Information

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Abstract

The spread of automatic exchange of financial information (AEOI) has enabled governments to capture offshore income data on their tax residents and raise new revenue, but it also has puzzling country commitments, including from autocratic regimes who have notably used tax havens to stash ill-gotten gains. What explains countries' commitments to tax transparency? I argue that countries join the commit to AEOI as a result of horizontal accountability, which allows them to overcome economic elite resistance. However, in low-accountability states, leader ideology will matter: market-oriented autocrats also commit to tax transparency as a means of credibly signaling to international investors. After gathering a novel dataset on countries' membership in the AEOI regime, I provide support for these divergent joining patterns using conditional frailty Cox proportional hazards models. I provide further evidence of the dual mechanisms driving tax transparency commitment via quantitative analysis of Global Forum peer review and qualitative case studies of Kenya and Rwanda. Who commits to tax transparency provides vital information on the ability of the regime to constrain the use of offshore finance for tax evasion, and thus the future of tax information coordination.

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Introduction

Governments have long struggled to tax mobile assets. Direct taxation depends upon policymakers' information about taxpayers' assets, and the more assetholders can hide from governments, the less capable governments will be of accurately assessing taxes owed (Levi, 1988). In the past, leaders have resolved this issue by bargaining with mobile assetholders, exchanging political representation for tax payments (Bates & Lien, 1985). In the current era of financial globalization, however, taxation of mobile assets may seem like a lost cause, given how easy it is to shift money abroad (Milner, 2021). The most-cited estimates suggest that as much as 8% of the world's household income is held in tax havens (Zucman, 2015).

Offering new political concessions to economic elites is unpalatable, given the state of global inequality (Walter, 2021). Rather than tax bargaining, states can resort to another option: cooperate with each other to share information that is hidden behind sovereign borders. Governments jealously guard their fiscal sovereignty and have historically struggled to develop multilateral solutions to tax conflicts (Rixen, 2008), which has led to a beggar-thy-neighbor cycle of tax competition (Hays, 2009). Yet, while tax competition has received the lion's share of academic attention, international tax cooperation has grown significantly since the 2008 financial crisis (Christensen & Hearson, 2019). Given the costliness of sacrificing political sovereignty and the potential backlash from mobile assetholders, why would countries cooperate to eliminate tax evasion?

To address that question, this paper examines a preeminent form of tax cooperation: automatic exchange of financial information (AEOI). Under AEOI, tax administrations collect financial information of non-residents and share it with their residence countries. AEOI is engendered by a series of three interlocking institutions, which together form the tax transparency regime. The tax transparency regime and the AEOI it enables have the potential to transform both global finance and domestic revenue collection. They have thus been hailed by tax experts as revolutionary, but there are scarcely any studies examining why the regime has grown and developed.

This paper offers a theory of tax cooperation, based on two domestic politics mechanisms, that explains countries' commitments to the tax transparency regime. It first examines the interests of economic elites, suggesting they are caught between the desire to not be taxed and the need to sustain international capital mobility. It then proposes that their interests may come more or less into play based on the political institutions the elites operate within. In a government with horizontally accountable institutions, where power is shared amongst political offices, elites will be less likely to maintain corrupt behavior and tax evasion, and thus less likely to successfully resist a country committing to tax transparency.

However, a select few unaccountable countries have committed to AEOI because their market-oriented leadership depends upon access to international finance. When a country has a strong, overriding interest in capital mobility, economic elites fear being closed off to international investment if they don't adhere to global economic rules. Thus, market-oriented unaccountable governments will be more likely to commit to tax transparency than their statist counterparts, in an effort to signal a stable domestic environment to international investors.

This paper first provides evidence in favor of these hypotheses using panel data from 2009-2022. The primary outcome variable is the result of new data collection on countries' commitments to the tax transparency regime, resulting in the first global dataset of tax transparency efforts. These commitments are examined in conditional frailty Cox proportional hazards models, which demonstrate a positive association between horizontal accountability and tax transparency in the full sample of countries, while also showing a positive association between market-oriented leadership and tax transparency only in an unaccountable sub-sample. After a series of robustness checks, the paper provides further evidence for the dual causal mechanisms by studying government policies after the final stage of the tax transparency regime and tracing the commitment processes in of Kenya and Rwanda.

This paper contributes to international relations and international political economy in at least four ways. First, by focusing on international taxation institutions, this study can offer insight to scholars examining behavior downstream of tax policy, such as international investment (Arel-Bundock, 2017). Second, it enhances the existing literature on international tax cooperation by introducing a new theory rooted in domestic politics, which is under-considered relative to systemic forces like tax competition (Hearson, 2020). Third, by developing multiple domestic mechanisms and specifying the mechanisms beyond a focus on electoral institutions, this study supports new research examining how divergent regime constraints can produce similar forms of international cooperation (Hyde & Saunders, 2020). Finally, it contributes to current research on international cooperation amidst the fraying of the liberal international order (Lake et al., 2021), pointing to a realm — taxation — that has seen rapid growth in new forms of cooperation and can offer insight into the future of other economic institutions.

The Dilemma of Tax Cooperation in an Era of Globalized Finance

One of the defining struggles for a tax policymaker is balancing the desire to maximize revenue against an inherently limited capacity to enforce tax policies across the entire populace (Levi, 1988). This is especially difficult when a ruler wants to tax mobile assets, as their owners can simply exit the political system by moving their goods or income to evade taxes (Hirschman, 1970). Mobile assetholders can leverage their threat of exit to extort political favor in exchange for proper payment of taxes (Bates & Lien, 1985).

In the modern era of financial globalization, it is easier than ever for mobile assets to flee. For essentially as long as states have imposed personal income taxes, owners of capital have moved their money into tax havens (Zucman, 2015). As capital has become more technologically and politically mobile over the course of the century, dozens of fiscally sovereign states have passed friendly regulations to encourage tax evasion (Zoromé, 2007). Economic elites can easily financialize their property (Freeman & Quinn, 2012), thereby distributing economic and political risk across countries (Harrington, 2017), or evading taxes via accounting schemes (Alstadsæter et al., 2018). Document leaks, including the Panama and Pandora Papers, reveal these are not idle speculations: while international finance has a legitimate purpose, it is regularly abused by corrupt politicians and oligarchs to hide wealth and escape taxes.

The burgeoning exit power of capital has driven a restrained form of tax competition amongst countries to attract investment (Hays, 2009). In turn, this has increased relative taxation of labor and contributed to rising global inequality (Alstadsæter et al., 2019). The most straightforward unilateral solution to the problem of financial secrecy is to simply prevent capital from moving across borders; in the age of financial hyperglobalization, this solution is a non-starter (Frieden, 1991). The state of financial globalization has led to dour conclusions about the ability of countries to return to highly redistributionary welfare states, as "only far-reaching international cooperation could make them workable " (Milner, 2021, p. 10) .

In this case, cooperation is made all the more problematic by the potential political consequences of taxing mobile assets. Studies of taxpayer engagement show that when people are taxed more, they demand more favorable policies in return (De la Cuesta et al., 2022). Under autocratic systems, attempts to tax mobile assets may result in demand for more elite representation, thus laying the foundation for early democratic institutions (Bates & Lien, 1985). When autocrats struggle to expropriate highly mobile assets, there may be less intra-elite competition and thus less demand for private property protections (Ansell & Samuels, 2014). Alternatively, assetholders may care less about democratization when they can flee to other systems, as they have less to fear from redistribution (Boix, 2003; Freeman & Quinn, 2012). Even if mobile assets *could* be taxed, then, doing so could produce new political responses by elite taxpayers.

The status quo of financial globalization is untenable, but addressing tax evasion produces a dilemma. If political leaders want to sustain the fairness of their tax systems, or simply raise revenue sufficient to meet their fiscal needs, they need to find a way to cooperate on tax evasion. Yet, taxing mobile assets come with consequential political trade-offs that not all leaders may be willing to make.

Tax Cooperation Observed

What has been missing from this analysis is the recognition that widespread tax cooperation already exists, illustrated especially by the creation and growth of three interlocking agreements on tax transparency: the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), the Convention on Mutual Administrative Assistance in Tax Matters (Convention), and the Common Reporting Standard (CRS). These institutions compose the *tax transparency regime*. At the heart of the tax transparency regime is the implementation of automatic exchange of financial information (AEOI), by which tax administrations annually and without prompting share the bank account details of non-residents with each other, allowing tax agencies to catch unreported income.[2]

The tax transparency regime is new: the Global Forum was established in 2009, the Convention in 2010, and the CRS in 2014. It targets portfolio investment flows, and thus runs parallel to tax institutions centered on multinational corporations.[3] To commit to AEOI, a country must first join the Global Forum, which is the multilateral body that allows administrations to share information and also reviews tax policies for compliance with AEOI standards. Then a country must ratify the Convention, which lays the international legal foundation for all tax information exchanges. Finally, a country must ratify the CRS and pass domestic laws to require domestic financial institutions to report information on non-residents'

[2]There are other forms of information exchange as well, especially exchange of information upon request. They have been ineffective (Johannesen & Zucman, 2014), as they required information to even make a legitimate request. AEOI is the central component of tax transparency because it empowers other forms of information exchange (OECD, 2022b, p. 10).

[3]Most notably, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

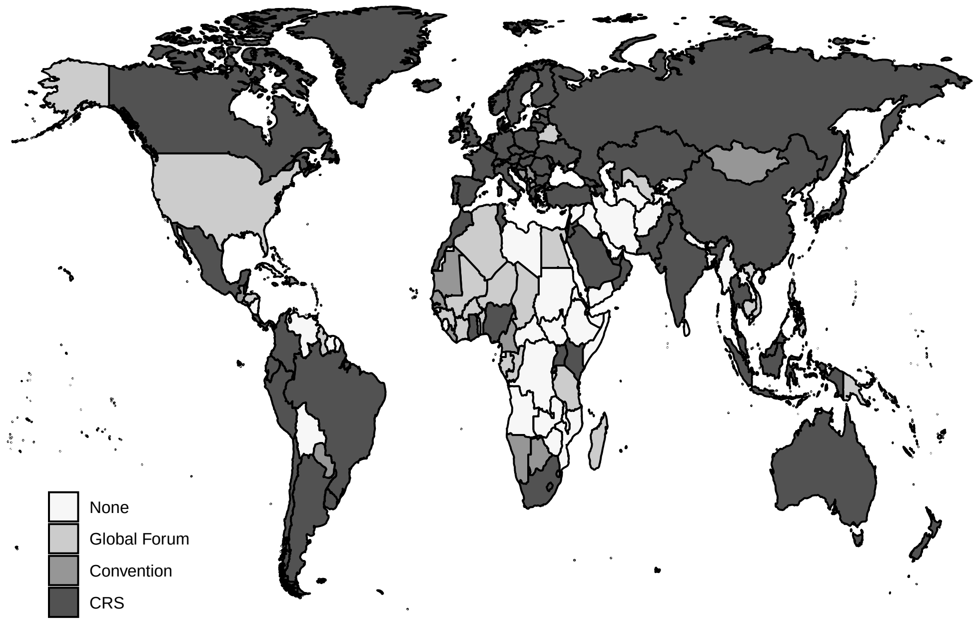

FIGURE 1. *Tax Transparency Commitments (2022)*

Notes: A geographical display of the global commitment to tax transparency in 2022.

accounts to the tax administration. At this point, the Global Forum will allow a country access to the central exchange platform. The countries which have committed to AEOI can now access previously unavailable information on their wealthiest residents' international financial accounts (Alstadsæter et al., 2019), allowing them to collect new revenue (Hakelberg & Rixen, 2021).

Figure 1 displays global commitment to the tax transparency regime by 2022. The map reports membership stages, from inclusion in none of the institutions all the way up to sending information through the CRS. The United States is only partially engaged in the tax transparency regime but is the only non-CRS country that engages in AEOI, thanks to the 2010 Foreign Account Tax Compliance Act (FATCA). FATCA penalizes financial institutions globally with a 30% withholding fee if they don't provide account details of U.S. citizens to the American tax agency. Since the fee would prevent banks from accessing the U.S. financial market, nearly all affected institutions have cooperated (Simone et al., 2020). Though the U.S. pledged to reciprocate by providing partner countries information on their own citizens, such reciprocity has yet to be approved by Congress (Lesage et al., 2020).

The tax transparency regime is a rational response to the information problem at the heart of offshore finance, and as such has rightfully been hailed as revolutionary in the fight against tax evasion. AEOI (through both the CRS and FATCA) has decreased portfolio investment flows into tax havens (Ahrens & Bothner, 2020; Casi et al., 2020), though it has also increased other evasive behavior (Ahrens et al., 2022; Simone et al., 2020). Some European economies have even been able to reverse the downward trend of tax rates on personal capital (Hakelberg & Rixen, 2021).

Because tax transparency resolves a functional cooperation problem, it has been accepted as a rational solution to the ills of financial globalization. Yet there is a great deal of variation in which countries have committed to the regime, with many developing countries missing despite their more dire need for tax income, especially in an era of rising debt costs and their relatively larger loss of fiscal revenue to offshore finance (Janský & Šedivý, 2019). To understand the impact tax transparency may have on global finance and inequality, we must examine the interests of the countries that commit to the regime in the first place.

The most common explanation for the spread of tax transparency has been American power (Lips, 2019). Tax havens like Switzerland and Austria had long resisted demands to end banking secrecy (Lesage et al., 2020). Once they were coerced by FATCA into sharing information with the U.S., they had no legitimate rationale for not sharing information with the rest of the world (Hakelberg & Schaub, 2018).

However, FATCA did not guarantee international cooperation (Eccleston & Gray, 2014). FATCA universally affects financial institutions, but the tax transparency regime is far from universal. FATCA merely opens the door to cooperative tax transparency; it doesn't necessitate that every country step forward to take advantage of AEOI. Countries that want to tax mobile assets must be prepared for potential responses by economic elites and willing to engage with them.

Theory: Elite Political Strength v. Elite Financial Interests

Interest groups can compel governments to join international organizations as a means of committing to domestic policies, such as elites demanding autocrats sign the Convention Against Torture (Vreeland, 2008). For the tax transparency regime, the most pertinent interest group will be economic elites. AEOI links high net worth individuals to their financial accounts so their income can be properly taxed.

Elites have two primary interests regarding tax transparency. On the one hand, and most obviously, they don't want to be taxed. They can use offshore finance to evade taxes or to simply diversify their assets; regardless, AEOI may threaten economic elites with expropriation or redistribution. Indeed, the Global Forum touts the massive spread of the AEOI network: over 111 million financial accounts totaling over 11 trillion Euros were shared in 2021, with over 110 billion Euros vacuumed into fiscal coffers since the CRS was instituted (OECD, 2022b).[4]

On the other hand, elites may need sustained access to international capital markets. The 2008 financial crisis generated new room for potential use of capital controls (Grabel, 2014) but largely left the consensus of open capital flows intact (Rodrik, 2011). This era of financial globalization, though, has generated frustrated backlash by people who don't benefit from offshore finance (Walter, 2021), exemplified by mass protests following the Panama and Pandora Papers (Hudson & Fitzgibbon, 2021). The simplest way to stop international tax evasion would be to restrict capital flows across borders, or curtail them enough to effectively monitor them. The tax transparency regime is an attempt to thread the needle between the extremes: sustaining the benefits of mobile capital while obviating the downsides.

Elites' interests may be in conflict: they want to avoid being taxed on their offshore income, but the tax transparency regime may be better than restricting capital mobility entirely. Which interest matters most and is most achievable should vary alongside their country's political institutions (Mosley, 2010).[5]

Regardless of which tax transparency interest predominates for elites, countries are more likely to overcome elite strength when there are democratic institutions in place. Democracy is a common element in theories about why states join international organizations. The relevant institution for these theories tends to be the electoral pressure that voters place on political leaders to sign agreements that benefit the masses (Mansfield et al., 2002). The very act of committing to organizations is seen as means of locking in democracy for weak or transitioning governments (Hafner-Burton et al., 2015). Electoral pressure from voters is also a common theoretical explanation for income tax redistribution (Acemoglu & Robinson, 2005). Under these theories, a more electorally democratic country would be more likely to commit to tax transparency because it follows the preferences of lower-income voters.

However, offshore finance has legitimate economic purposes that are obfuscated for privacy concerns, not only to evade taxes. Democratic voters tend to demand redistribution only when there is

[4] I am also assuming that economic elites form a single bloc. This is a simplifying assumption, since elite competition based on capital endowments affect fiscal development (Ansell & Samuels, 2014). For this study, it should be more reasonable, as in the very recent period of hyperglobalization, all elites have the capacity to financialize their assets and use offshore investment for personal enrichment (Freeman & Quinn, 2012).

[5] Of course, in the long run, institutions are in some way endogenous to elite power and the constellations of economic interests tied to entrenched politics (Ansell & Samuels, 2014). For the short time span that the tax transparency regime has existed— 2008 to present — I presume they are relatively exogenous.

a strong sense of unfair activity by elites (Hansen, 2023; Scheve & Stasavage, 2016). AEOI and the use of international financial schemes to evade taxes are complex, technical topics that confound even interested policymakers (Seabrooke & Wigan, 2016). Since elites can rely on the mixing of clean and dirty financial flows to defend their investment activity, and since it is hard for even an informed voter to discern any legitimate difference, it's not obvious that democratic masses will have a reason to push for a complex mechanism for redistribution like AEOI.[6]

Instead, another fundamental component of democracy drives commitments to tax transparency: horizontal accountability. Horizontal accountability "depends on the existence of state agencies that are legally empowered — and factually willing and able— to take actions... in relation to possibly unlawful actions or omissions by other agents or agencies of the state" (O'Donnell, 1998). This notion is rooted in Montesquieu's separation of governmental powers to preserve individual liberty. By enabling government branches to counteract each other, their individual strength is limited, ensuring that "the private interest of every individual may be a sentinel over public rights" (Madison, 1788/2003).

Legislatures, judiciaries, and bureaucracies can constrain the executive and investigate elites who may have abused the offshore financial system for personal gain. When power is spread across these multiple branches of government, there will be more diverse actors that can oppose the interests of the economic elite and a greater likelihood that there will be individuals in power who want to probe the illegal aspects of international finance. This creates more space for political officials to serve as checks on illicit financial flows, and thus a greater probability that there will be political actors invested in reining in tax evasion and corruption.

Conversely, when power is concentrated in single individual or in the hands of a select cadre, it is more likely that the government can be captured by elite interests, or that even that political elites abuse their power to enrich themselves. Economic elites should be much less capable of arrogating such power to themselves in horizontally accountable regimes, and thus these governments should be more able to overcome elite opposition and commit to tax transparency.[7] Checks and balances, rather than

[6]Even though there have been well-publicized leaks of financial papers that have sparked public protests (Hudson & Fitzgibbon, 2021), the most important leaks (Panama Papers in 2016 and Pandora Papers in 2021) came well *after* the tax transparency regime developed.

[7]Another strain of literature suggests that horizontal accountability, being synonymous with constraints on executive, means that elites will be less likely to oppose potential tax policies when they are out of power because they don't expect extortion from the executive. In AEOI, this would be akin to elites expecting that horizontally accountable governments will not drastically change tax *policy* by increasing income tax rates. However, given the pre-existing practice of widespread tax evasion, it would be surprising if elites didn't oppose the drastic increase in tax *enforcement* that is commensurate with AEOI.

voting pressure, is the force behind AEOI.

In the United States, for example, FATCA was passed in 2010, following the activities of the Senate Permanent Subcommittee on Investigations in the 2000s. The subcommittee conducted several investigations into illicit finance in the United States, unveiling details about widespread international tax evasion facilitated by foreign banks (on Homeland Security and Government Affairs, 2010, p. 153-155). These revelations were cited when the FATCA bill was introduced in 2009 (*Statements on Introduced Bills and Joint Resolutions*, 2009). The United States's version of AEOI was driven by horizontal accountability through the legislature.

Horizontal accountability empowers many government branches. For instance, in many developing countries, tax agencies have gained quasi-autonomous status to avoid political capture. Such independent bureaucracies may be able to circumvent elite opposition to commit to AEOI and tax transparency.

Hypothesis 1 *A country will be more likely to commit to tax transparency when its political institutions are more horizontally accountable.*

The antithesis of a horizontally accountable government is a personalist state, in which power is concentrated in the hands of an individual who is unconstrained by other political institutions (Geddes et al., 2018, p. 70-71).[8] Hypothesis 1 explains little about why personalist regimes like Russia and Saudi Arabia *have* joined the tax transparency regime. Unconstrained political elites, after all, use the offshore financial system to generate personal rents, maintain power, and hide assets abroad to protect themselves from redistribution after democratization (Pond, 2018). Unconstrained governments also already collect more tax revenue and more resource rents (Bastiaens & Rudra, 2018). Why do unaccountable leaders with no dire fiscal need commit to tax transparency?

In order to retain the benefits they reap from international finance, personalist elites need to sustain access to overseas markets by sending signals to international investors. Investors worry about political risk in their target country, and this is especially the case for unaccountable governments with opaque politics, where determining even basic economic fundamentals is difficult for outsiders (Hollyer et al., 2011). Personalist leaders are also definitionally less constrained by domestic legal structures, which may enable them to expropriate foreign investments or change property protection laws, increasing in-

[8]This theoretical opposition is matched empirically, where horizontal accountability and presidentialism — Varieties of Democracy's label for personalism — are correlated with $\rho = -0.92$ in the analysis sample and $\rho = 0.90$ in the full Varieties of Democracy data.

vestors' fears of expropriation of FDI (Li, 2009) or transfer restrictions on portfolio investment (Graham et al., 2018).

Personalist states that want to attract foreign investment — FDI or portfolio — must demonstrate credible commitment to the rule of law, and their unilateral domestic actions are not trustworthy signals. Uncertain investors use heuristics to estimate country-level risk (Brooks et al., 2015), including global performance indicators (Morse, 2019) and international organization memberships (Dreher et al., 2015). By publicly committing to international economic organizations and rules, personalist leaders increase the size of their audience and the degree of international monitoring, thereby raising the costs policy choices not preferred by international investors. These leaders are still uncertain of how financial markets will interpret their behavior, but knowing that markets respond to membership in economic organizations (Gray, 2009), they presume that signing new agreements—such as bilateral investment treaties and double tax treaties—will help to bring in new investment, even without prior evidence specific to those types of agreements (Hearson, 2021; Poulsen, 2014). This can prove to be effective: autocrats that sign bilateral investment treaties are more likely to survive in office through an enhanced economic environment (Arias et al., 2018).

Joining the tax transparency regime is another such signal. The policies required to enact AEOI impinge on financial institutions, which must gather a vast amount of information and report the data to tax authorities (OECD, 2014). This generates new compliance costs and forces institutions and investors to change their behavior (Casi et al., 2020). Market actors that comply with AEOI will expect that governments committed to the rules of global finance will also join the tax transparency regime. For personalist states in particular, the tax transparency regime may be interpreted by financial markets as a signal of commitment to free mobility of capital. At the least, personalist leaders presume that joining the regime will grease the wheels of foreign investment into their country.

We can see evidence of this perspective in what unconstrained governments communicate when they reach the final stage of the tax transparency regime. As they join the CRS, they emphasize the benefit for promoting foreign investment. For instance, Oman's Director of Tax Agreements said, "In addition to possible improvements to tax revenues, being part of a transparent and harmonised tax compliance system gives comfort to international investors about the predictability of tax policies and tax administrations" ("Oman Affirms Commitment to Implementing OECD's Common Reporting Standard," 2019). Given that Oman has no personal income tax, we can safely discount the likelihood of increased tax revenue and instead acknowledge the focus on comforting international investors.

However, joining the tax transparency regime is not cheap. Each component ties governments' hands. The Global Forum requires commitment to peer review, which involves public evaluation and reporting on government policies — both *de jure* and *de facto*. The Convention commits signatories to many forms of tax cooperation, including and beyond AEOI, and requires domestic ratification. The CRS necessitates policy reform that burdens domestic financial institutions with compliance costs, and then requires multilateral monitoring of shared information. Most importantly, the financial information shared back with the government may limit the personalist leader's ability to escape redistribution in the event of losing power. Personalist elites that commit to the tax transparency regime must have a greater interest in capital mobility than a fear of potential redistribution or expropriation.

To identify where personalist elites may be more interested in capital mobility than afraid of redistribution, I distinguish between the degree to which the government directly intervenes in the local financial market, as this indicates the extent to which a government relies on external finance for power maintenance. In financially *statist* authoritarian regimes, the government controls the financial system and can directly disburse loans and credit to followers.[9] Typically, these are interpreted as left-leaning regimes: they favor state control over financial institutions, can more capably control capital flows across borders, and directly provide supporters with financial privilege. They have engaged less with international rules about liberal finance, such as Basel regulations (Jones, 2020). For statist leaders, to commit to tax transparency would only cost them sovereignty, requiring them to impose harm on their own financial institutions, with less to gain from the international financial community.

Bolivia, for instance, is a statist regime helmed by a chief executive who is relatively unaccountable to other political institutions. To promote inclusive development, the government actively designs the financial system (Knaack, 2020, p. 249). The Financial Services Law regulates banking to ensure it promoted social goods and sector-specific development (Heng, 2015, p. 7-8). However, despite being a highly electorally accountable regime, Bolivia has not committed to tax transparency efforts that could promote redistribution through taxation.

Market-oriented authoritarian leaders will be more interested in credible commitments to international investors. These leaders may intervene in their markets but do not directly control them. In-

[9]This builds loosely on the distinction between autocratic regimes according to whether or not the supporters possess mobile versus fixed capital (Pepinsky, 2009). However, since all capital is to some degree potentially mobile, this theory draws largely on leader ideology toward the market.

stead, they disburse privilege via access to global markets, ensuring that economic elites can diversify portfolios, draw money across borders, and shift money abroad to escape political instability at home (Logvinenko, 2021). Market-oriented regimes, however, are dependent upon the international financial system to support their ruling coalitions, to ensure the political satiety of economic elites reliant on mobile capital (Pepinsky, 2009). They signal their credible commitment to liberal rules of finance using international law (Arias et al., 2018).

For example, Russia is led by a personalist autocrat who has ensured that the country is open to international markets. Although the government remains relatively active in the economy, as evidenced by massive Russian state enterprises that control oil and natural gas distribution, it has also deregulated capital account controls to allow foreign ownership and investment (Logvinenko, 2023). Openness to international finance enables wealthy elites to both extract greater rents and to hedge against potential expropriation by an unconstrained leader (Logvinenko, 2019). International finance thus forms an important part of maintaining Russian economic elites' satisfaction with the government.

Hypothesis 2 *Conditional on possessing low horizontal accountability, a country will be more likely to join when it is led by a market-oriented leader.*

While the first hypothesis may be intuitive, the second is less so. Typically right-leaning governments are thought of as having little interest in taxing the wealthy, especially in personalist regimes that blend political and economic power. Unaccountable regimes are also those with the greatest interest in sustained access to illicit finance to ensure further graft and protection from democratization. The CRS is supposed to inhibit tax evasion, and these regimes are participating in the regime not for the function itself, but for the demonstrated commitment to rules that sustain their access to global finance.

Research Design

I test the hypotheses regarding tax transparency commitment via cross-national quantitative analysis of membership in the tax transparency regime. Few studies examine tax transparency commitment; instead, they tend to focus on CRS use by OECD countries(Ahrens & Bothner, 2020) or examine AEOI commitments with in-depth qualitative work on tax havens (Crasnic, 2022). This study is thus the first universal study of membership in the regime.

Outcome Variable

There are three steps towards tax transparency: joining the Global Forum, ratifying the Convention, and joining the Common Reporting Standard. The CRS is the venue of AEOI, is legally grounded in the Convention, and is administered through the Global Forum. Commitment to each level constitutes an event on the path toward complete membership in the tax transparency regime. Each step is publicly reported by the OECD, but in disparate locations and formats, and occasionally with incomplete information about domestic regulations. By bringing together data on country commitments to each stage and gathering new details on CRS laws, this study presents a new, global dataset of tax transparency commitment.

First, Global Forum information was gathered by web-scraping the OECD website. The Global Forum was founded in 2000 but its membership was limited to OECD states; in 2009, at the G20's request, it was restructured to include global membership. The data series thus begins in 2009. The Global Forum data is organized by country and year of membership, which form the indices of the remainder of the data.

Second, Convention data was downloaded as reported by the OECD and cleaned to merge with the Global Forum. Like the Global Forum, the Convention was first restricted to OECD members and was revised in 2010 to allow for global membership. Convention membership is reported as the date of signing, ratifying, and entering into force of the original Convention and the amended, universal Convention. This study only includes ratification year of the amended version, as this is the most serious demonstration of commitment to the global form of the treaty.

Third, CRS data was gathered starting with OECD reporting of members. Most countries commit to the CRS years before their first exchange of information, and thus ratification dates were collected via searches through governmental websites for laws and press releases. Joining date is coded as the day when the country passes a domestic law ratifying the CRS. For countries that the OECD has announced to have joined but which don't have a public date for ratification, the date of the OECD press release announcing their membership is used. Data collection builds on dates reported in Casi et al. (2020), which contained information on the entire OECD and 42 non-OECD countries; ratification dates were gathered for an additional 25 countries.

The final outcome variable, *tax transparency commitment*, is gathered in a universal country-year

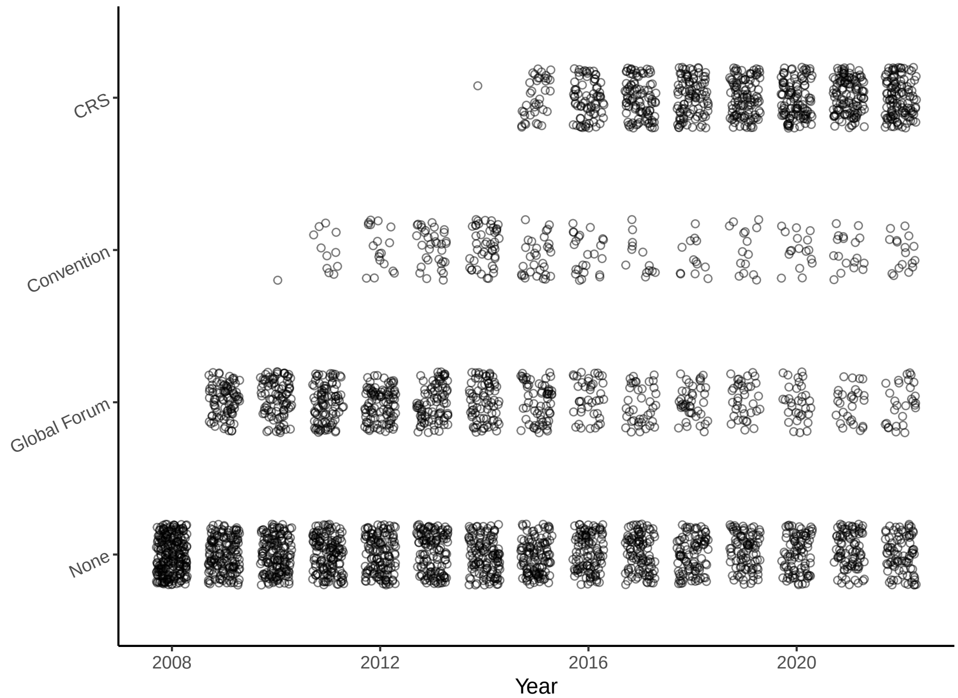

FIGURE 2. *Tax Transparency Regime Commitment over Time*

Notes: This figure displays global commitment to the tax transparency regime, from the revamping of the Global Forum in 2009 until the end of 2022. Each observation represents a single country, and each country is reported according to its highest level of regime membership in a given year.

panel stretching from 2009 — the first available year for the newly-accessible Global Forum — until 2022. By the end of 2022, there are 148 Global Forum members, 120 Convention ratifiers, and 104 CRS ratifiers.[10] Figure 2 displays the stepwise global evolution of AEOI from 2009 to 2022. A series of figures in Appendix B display the evolution of commitment by countries over time, faceted by continent.

The data is displayed as ordered, though there are rare occasions in which countries do not follow this order. When countries do complete higher-order steps first, they very shortly completely the lower-order steps, as full AEOI commitment requires completing all three steps. Five countries of 165 ratified the Convention before joining the Global Forum, whereas there are still 19 Global Forum members yet to ratify the Convention. All countries that have ratified the Convention have also joined the Global Forum, and all CRS members have ratified the Convention. As noted below, I exclude ordering in the regression models and treat each step as equivalent, so those cases do not affect the analysis.

[10]Non-sovereign jurisdictions are excluded from the analysis as they frequently have the international law extended unto them. If these jurisdictions were included, there would be 165 Global Forum, 138 Convention, and 120 CRS members.

Explanatory Variables

The first hypothesis states that more horizontally accountable countries are more likely to commit to tax transparency. I operationalize this concept with the Varieties of Democracy (V-Dem) *horizontal accountability index*, which measures the ability of governmental institutions to demand information from and punish actions by other political actors (Lindberg et al., 2014). The index is composed of V-Dem's indicators on legislatorial, judicial, and bureaucratic oversight on state activities. I expect horizontal accountability to have an unconditionally positive effect on tax transparency commitment.

To test Hypothesis 1, I run the models on the full sample. To test Hypothesis 2, I subset the sample according to horizontal accountability. Unlike common measures of electoral democracy, such as Polity, there are no literature standards on what threshold to use for the subset. I exclude observations scoring above the median of .45 on the V-Dem index for Hypothesis 2. For robustness, I examine additional thresholds and use interactions in the full sample.

The second hypothesis states that personalist regimes will commit to tax transparency conditional on being governed by a market-oriented leader who intends to signal willingness to commit to stable economic policies. To operationalize this concept, I use the Global Leader Ideology dataset, which classifies chief executives as having "leftist, centrist, rightist and no economic ideology, understood as the preferences over how much the state should intervene in the economy" (Herre, 2023, p.3). I use a binary measure, *market-oriented leader*, that is 1 when the country's political leader is market-oriented, or, in the parlance of the authors, right-leaning, and 0 otherwise. I expect being governed by a market-oriented leader will have a positive effect on tax transparency commitment for the sub-sample of personalist countries.

Control Variables

After initial simple models, I control for confounding explanations. Tax transparency requires capacity to collect and wield vast amounts of data. To account for the possibility that richer countries will be more likely to join, I include *logged GDP per capita*.[11] I include *logged population* as an indicator of both capacity and a country's willingness to use financial secrecy, as larger countries cannot compete with smaller tax havens. Conversely, to account for the likelihood that countries with lower capacity or

[11] This and other economic and demographic variables not explicitly cited below are drawn from the World Development Indicators.

afflicted by conflict might not join, I use the Fund for Peace's Fragile States Index, which incorporates a variety of measures, including conflict, to determine how stable a country is (*Fragile State Index*, 2023).

A country may commit to tax transparency because of external coercion. To account for direct coercion from the OECD, I include a binary indicator if the country is currently included on the European Union's *tax blacklist*.[12] To account for the possibility that U.S. financial hegemony may coerce countries into joining through FATCA, I include a measure of the share of *portfolio investments* emanating from the United States, drawn from the IMF's Coordinated Portfolio Investment Survey.

A country may also commit to tax transparency because of fiscal need. Many measures of fiscal need have limited spread, however, especially across much of the sample for Hypothesis 2. I thus control for *logged resource rents* as a share of GDP, which should reduce fiscal need overall. To account for differences in need according to economic cycles, I include the *GDP growth rate*. In select models, I also include the *tax revenue* as a percentage of GDP, excluding resource revenue and social contributions, taken from the ICTD Government Revenue Database. Including tax revenue often cuts into the sample severely, and thus I report models both with and without this measure.

A country may instead commit to tax transparency because it is normatively interested in globalization and generally commits to international regimes. I include *net FDI inflows* and *trade* (both as a percentage of GDP) as indicators of a material interest in globalization. To represent a country's expressed interest in globalization via international treaties, especially financial globalization, I include a measure of the *logged bilateral investment treaties* in effect for a country.

I control for political identification of the country as a *tax haven* in the late 2000s, as they were more likely to be targeted with potential sanctions by individual countries and commensurately coerced by FATCA (Zoromé, 2007). I control for *OECD membership*, as the OECD oversees the Global Forum. I drop countries that are not sovereign and with a population less than 500,000. Finally, I drop the U.S. as an unrepresentative case, as it uses AEOI without full commitment to the regime.

Regression Models

I test my theory using conditional frailty Cox proportional hazards models of multiple events. In this context, an event is joining the Global Forum, ratifying the Convention, or committing to the CRS. I

[12]Note that I drop this measure for Hypothesis 2 because there are too few instances of blacklisting in the sub-sample, as reported in Table 4.

code each level of commitment as the same kind of event and censor countries after they have joined the final stage, the CRS. A country which has committed up to the CRS will have three distinct events, whereas another country that has only joined the Global Forum will have one event and continue in the data until 2022.[13] I include time-varying covariates in a counting data structure of elapsed time. A sample structure of the data is available in Table 2. The model is:

$$h_{ck}(t) = h_{0k}(t)e^{X_{ck}\beta+\theta_c}$$

where c refers to country, k to event stratus, X_{ck} to covariates for countries and strata and θ_c to the country-specific frailty parameter. I lag all explanatory variables by one year.

Conditional frailty models adjust for several additional confounders that may interfere with quantitative inference. First, Cox proportional hazards models estimate the probability of having an event conditional on time survived. These models are estimated using time elapsed from the start of the panel (2009, the first potential year of Global Forum membership) and use Grambsch-Therneau tests to check for violations of the proportional hazards assumption. By conditioning on duration in the panel, time can be treated as a nuisance, allowing focus on the explanatory variables (Metzger & Jones, 2021). Second, these models include country-level frailty parameters, to account for unobserved or uncontrolled country-level factors that may lead them to commit to tax transparency. Third, these models are stratified according to previous commitments to the AEOI regime. This conditioning allows baseline hazards to change according to what commitments countries have already made, thus accounting for potential event dependence (Box-Steffensmeier et al., 2007). These models thus account for potential heterogeneity driven by time, country-level features, or previous tax transparency commitments.

Even while addressing for these alternative explanations, the models are built on observational data and their use in inferring cause must be accordingly limited. They are therefore supplemented with tests of the divergent mechanisms and illustrative case studies.

[13] If a country commits to two levels in a single year, such as joining the Global Forum and signing the Convention, I mark this as a single event for that year.

Empirical Results

The results from the conditional frailty models for both hypotheses are displayed in Table 1. Models 1-3 report tests for Hypothesis 1, while Models 4-6 report tests for Hypothesis 2. All models include frailty terms for country and stratify the hazards according to previous tax commitments. They collectively provide strong support for each hypothesis.

Model 1 is a simple test for Hypothesis 1, including the two main explanatory variables and dummies for OECD membership and tax havens. Horizontal accountability is positively and strongly associated with an increased likelihood of committing to tax transparency, as is market-oriented leadership. However, only horizontal accountability remains durable when adding the full range of covariates. Model 2 includes all controls except for tax revenue, as the latter cuts into the sample severely, and Model 3 adds tax revenue. Horizontal accountability remains positive and significant for every model, and the effect sizes remain relatively consistent. Under Model 2, a one-unit increase in horizontal accountability (which ranges from -1.931 to 2.322 in the model) is associated with an increased likelihood of committing to one of the tax transparency stages by a factor of 1.3. Together, these three models provide strong evidence in favor of Hypothesis 1.

Models 4-6 subset the data, including only countries below the median of horizontal accountability. Model 4 is a similar simple test for Hypothesis 2, and here the associations are inverted: market-oriented leadership is strongly associated with tax transparency commitment, whereas horizontal accountability is not. Again, the association is durable when adding covariates, and the effect sizes remain similar across the three models. Under Model 5, flipping from a non-market to a market-oriented leader is associated with an increased likelihood of commitment by a factor of 1.8.

Figure 3 reports predicted survival probabilities across the years of the sample for Models 2 and 5. Survival refers to likelihood of not having an event; a lower rate of survival, in this case, means a greater probability of committing to tax transparency. The survival probabilities follow the same general similar pattern which follows the progression of the tax transparency regime, which is tracked in the dotted lines. As the Global Forum and Convention are available for commitments, the likelihood of survival is low but increases; as the CRS becomes available, the likelihood of survival decreases dramatically; and as more countries join the CRS and drop out of the sample, survival again increases and the confidence bands widen.

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Horizontal Accountability	0.36***	0.26**	0.29**	0.11	−0.04	0.04
	(0.09)	(0.11)	(0.14)	(0.22)	(0.28)	(0.34)
Market-Oriented Leader	0.25*	0.18	0.18	0.63**	0.61*	0.79**
	(0.13)	(0.14)	(0.16)	(0.27)	(0.32)	(0.39)
GDP Per Capita (logged)		0.20*	0.27*		0.37	0.79**
		(0.11)	(0.15)		(0.24)	(0.33)
Population (logged)		0.19***	0.22***		0.29*	0.26
		(0.06)	(0.07)		(0.15)	(0.17)
GDP Growth		−0.01	−0.01		0.00	0.02
		(0.02)	(0.02)		(0.04)	(0.05)
Fragile State Index		−0.02***	−0.01		−0.02	−0.02
		(0.01)	(0.01)		(0.02)	(0.03)
EU Tax Blacklist		0.35	0.12			
		(0.76)	(1.07)			
Share US Investment (logged)		0.73	0.08		1.60	0.71
		(0.53)	(0.59)		(1.10)	(1.30)
Resource Rents (logged)		−0.06	0.03		−0.03	0.10
		(0.08)	(0.11)		(0.15)	(0.21)
Net FDI % GDP		0.01	0.01		−0.02	−0.03
		(0.00)	(0.00)		(0.03)	(0.04)
Trade % GDP		0.00	0.00		−0.00	−0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.15	0.10		0.03	0.03
		(0.09)	(0.10)		(0.24)	(0.27)
Tax Revenue			0.02			0.03
			(0.01)			(0.03)
OECD Member	1.29***	0.28	0.37	1.62***	0.70	0.36
	(0.20)	(0.27)	(0.30)	(0.61)	(0.71)	(0.80)
Tax Haven	0.48**	0.04	0.15	1.61***	1.01	0.75
	(0.22)	(0.28)	(0.34)	(0.47)	(0.64)	(1.01)
Countries	162	153	128	90	85	73
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified by Previous Commitment	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	261	246	192	69	61	45
Num. obs.	1770	1460	1039	883	704	486
PH test	0.02	0.49	0.62	0.29	0.36	0.85

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 1. *Conditional Frailty Survival Models (H1 and H2)*

As can be seen from the left-hand plot, the likelihood of survival — or of making no tax transparency commitments — is much lower for countries that have more horizontally accountability. Survival probabilities follow similar processes for the two groups, but horizontally accountable countries are much more likely to experience a tax transparency event, until the very end of the panel where observations have been censored and there are fewer commitments to continue making.

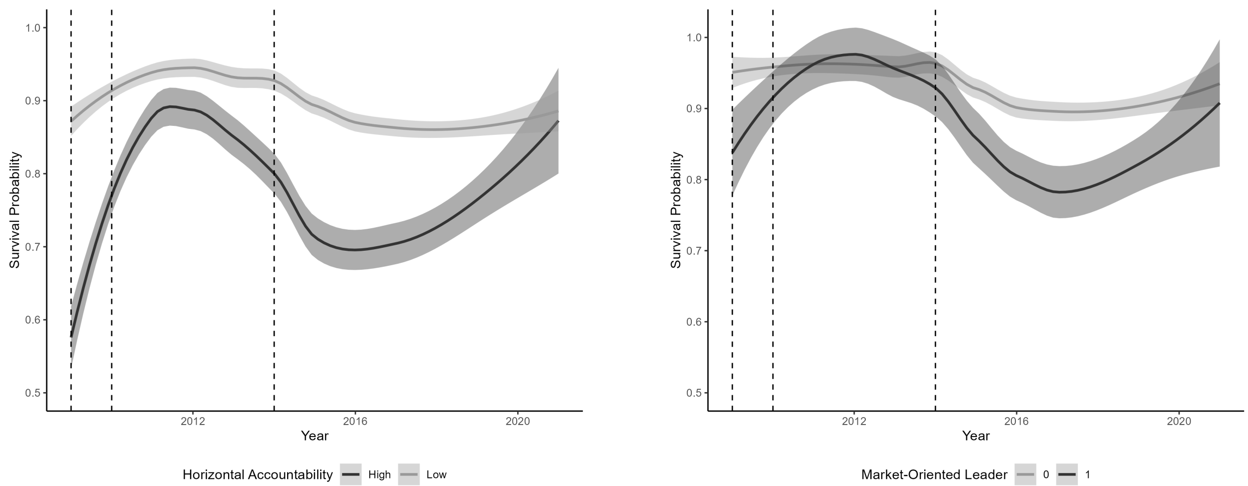

FIGURE 3. *Survival Probabilities*

Notes: The left-hand plot displays results for the full sub-sample from Model 2. The righthand plot displays results for only the personalist, unconstrained sub-sample from Model 5. Dashed vertical lines represent institution of each stage of tax transparency: Global Forum in 2009, Convention in 2010, and CRS in 2014.

In the right-hand plot, however, there is a clear distinction among personalist countries. While the overall curve tends to follow the same pattern as the curve from the full sample, the countries with market-oriented leaders are more likely to commit to AEOI. This is especially the case following the introduction of the CRS in 2014. They are less likely than accountable countries to commit to transparency, but they are significantly different from personalist countries not led by market-oriented leaders.

In total, the results from these models provide evidence in favor of both hypotheses. Countries that are more horizontally accountable are more likely to commit to tax transparency. For countries that are not horizontally accountable, being ruled by a market-oriented leader is associated with a greater commitment to AEOI.

Robustness

Nearly all the models pass the proportional hazards test globally and for the explanatory variables, though Model 1 does not. For robustness, I interact the main explanatory variable in all six models with logged time (Metzger & Jones, 2021), even where the proportional hazards test does not indicate the interaction is necessary. These models are reported in Table 5. The results are consistent with the uninteracted models.

The most pertinent alternative explanation for Hypothesis 1 is that other democratic institutions, especially voting, may be driving the results, as horizontal accountability is highly correlated with other measures of democracy. Table 6 displays the results when re-running the models using a control for V-Dem's measure of *vertical accountability*, which captures the extent that citizens constrain their state. These models exclude OECD countries, where horizontal and vertical accountability are most correlated and thus hardest to distinguish.[14] The models support the theory: horizontal accountability is associated with tax transparency commitment, whereas vertical accountability is not.

There are several government branches which may sustain horizontal accountability, but the theory does not specify that one is more relevant than another. The V-Dem horizontal accountability measure is composed largely of three sub-indices on *legislative constraints*, *judicial constraints*, and *executive oversight*. Table 7 presents the results of running each of these indices in place of horizontal accountability and then including all of them together. Individually, each measure is positive and strongly associated with tax transparency commitment; together, legislative constraints remains positive and and significant. This accords with anecdotal evidence provided earlier regarding the centrality of legislatures in the process of AEOI.

The results are robust to alternative sample framings. Table 8 reports results using a sub-sample of horizontally accountable regimes and using interaction terms for the full sample. In the former, market-oriented leaders are not significantly associated with transparency commitment. In the latter, both horizontal accountability and market-oriented leader are positively associated with tax transparency and, as expected by the theory, their interaction is negative. Figure 11 displays the marginal survival probabilities. While there is some evidence that market-oriented leaders in accountable countries are more likely to join, the effect is consistently stronger for personalist countries.

[14] The correlation for OECD countries is .78, and .70 for non-OECD. The main results are robust to dropping the OECD entirely, as presented in Table 15.

The results are also robust to alternative measures of key variables. Table 9 displays two V-Dem replacements for horizontal accountability. The first three models use the *liberalism index*, which captures checks and balances between governmental powers but builds on different sub-indices from horizontal accountability. The next three models use the *presidentialism index*, which captures the extent to which the chief executive is unconstrained. Liberalism is associated with an increased likelihood of tax transparency commitment, whereas presidentialism is associated with a decreased likelihood.

The results are robust to alternative measures from different sources. Table 10 reports a robustness test using Polity's Executive Constraints index, which measures the "extent of institutionalized constraints on the decisionmaking powers of chief executives" (Marshall & Gurr, 2020). Polity's time series ends in 2018, and 2018 is imputed forward to 2021 to include as many events as possible. Executive constraints are positive and significantly associated with increased tax transparency commitment for the full model, whereas market-oriented leadership is associated with transparency commitment for countries below the median executive constraints threshold.

Models for Hypothesis 2 are also robust to alternative measures for perceived need to sustain connections to international financial markets. Table 11 trichotomizes leader ideology into right, center,[15] and left, leaving left as the reference category. Right-leaning leaders remain more likely to commit to tax transparency, whereas centrist leaders are generally similar to leftist leaders. Table 12 reports two alternative variables. First, the KOF Globalization Index contains a measure of *de jure financial globalization*, which measures the extent to which a country's laws reflect openness to capital flows. This measure, which should capture the behavior of regimes towards finance, is also generally positive and significantly associated with transparency commitment for unaccountable regimes. Second, V-Dem also reports on the *most important support groups* for a regime's survival. The second group of models report on a binarized version of the variable, where 1 is when the most important group is business elites, who are more likely to be the kind of elites who prioritize international financial connectedness. This measure is also generally positive and significantly associated with tax transparency.

Hypothesis 2 is also robust to changes in the cutoff threshold for horizontal accountability. Table 13 presents models using cutoffs of 0 and 1 instead of the median. The results remains positive throughout and statistically significant for nearly all the models. The results are similarly robust to using V-Dem's measure of electoral democracy instead of horizontal accountability, as shown in Table 14.

[15]For this coding, I include non-ideological as centrist.

Mechanism Tests

The above models provide evidence for the theory but are still limited by being built on observational data. One way to provide additional support for the causal mechanisms is to examine how policymakers implement AEOI domestically *after* committing to the tax transparency regime. The differential rationale for commitment between horizontally accountable and personalist countries suggests different post-commitment practices. Accountable countries should be more invested in AEOI and fully implement it; personalist governments should want to signal commitment internationally but not necessarily follow through domestically.

The Global Forum in 2022 published its first peer review that included evaluations of both legal and effective implementation of the Common Reporting Standard (OECD, 2022a). The Global Forum's Secretariat analyzes the legal texts at the core of each member's CRS regime, requests members to submit descriptions of implementation, and surveys the network about experiences cooperating within the regime. It then drafts a standardized review of each country, including ratings of a country's legal and effective implementation of domestic and international rules, all of which are reported on a three-item scale.[16] It also provides policy recommendations for a series of sub-indicators (see the full list in Table 16). A country assigned a policy recommendation has not fully adopted AEOI.

The peer review process incorporates responses from reviewed jurisdictions and jurisdictions care about the ratings, making the reviews a hard test of the two theoretical mechanisms. If personalist countries are joining the CRS to signal to investors, they should be equally willing as accountable countries to put legal frameworks in place that align with the CRS, especially for the international rules. However, they should be less willing to effectively implement those policies, especially domestically.

Figure 4 displays the proportions of countries to fall within each compliance category, split by personalist and accountable governments. The bottom row shows legal implementation, where personalist states have complied to the same degree as accountable countries. However, the top row shows that personalist governments are far less likely to effectively implement CRS requirements for both domestic and international standards. Bootstrapped two-tailed t-tests confirm this observation: personalist regimes are no less likely to put tax transparency laws in place but are much less likely to effectively comply with the CRS. This provides evidence in favor of the theorized mechanisms of commitment: un-

[16] For legal implementation, "In Place," "In Place but Needs Improvement," and "Not In Place"; for effective implementation, "On Track", "Partially Compliant", and "Non-Compliant." I set each to a scale of 0-2, with 2 being highest quality.

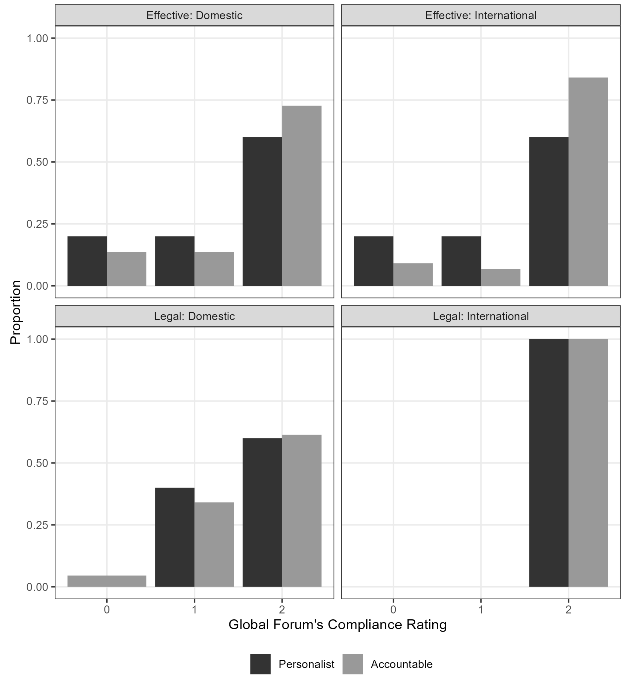

FIGURE 4. *Global Forum Peer Reviews*

Notes: This plot displays the proportion of CRS members to receive low, middle, and high compliance ratings from the Global Forum in 2022. Countries that were not evaluated for effective implementation (such as Russia) were marked as non-compliant.

accountable regimes are willing to signal with legal changes but not as willing to effectively implement AEOI.

Figure 5 plots similar proportions for the policy recommendations the Global Forum made to each country. The differences here are even starker — personalist governments are given roughly the same number of recommendations for legal implementation as accountable governments, but are much more likely to have recommendations for effective implementation. Bootstrapped two-tailed t-tests confirm these observations. These results support the mechanism laid out in the theory: accountable countries commit to tax transparency out of genuine interest in AEOI, while the personalist countries that commit do so to signal a friendly legal climate for investors but may be less willing to enforce the rules.

Another means of examining commitment is by looking at the network of information exchange itself. Countries don't automatically exchange financial information with every member of the CRS. Once countries have joined the Global Forum, ratified the Convention, and effectively joined the CRS, they can enter into bilateral information sharing agreements. Both countries must agree to the exchange and independently notify the Global Forum. Russia, for instance, has pledged to share taxpayer informa-

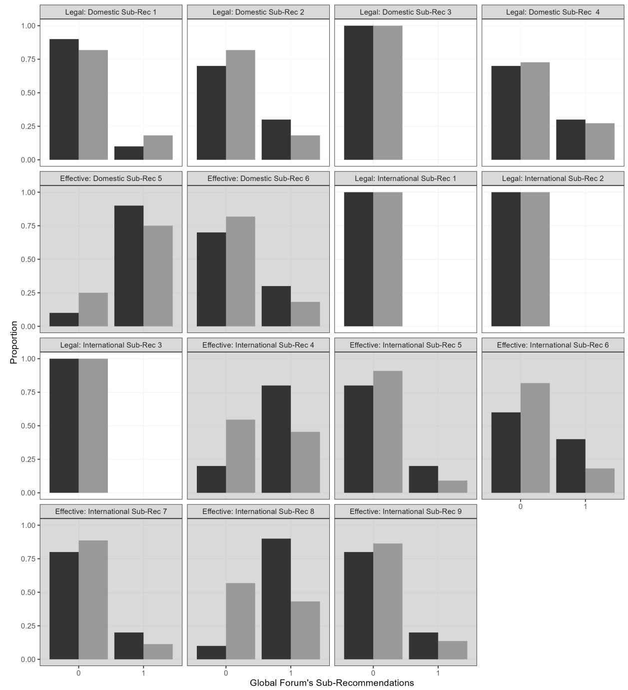

FIGURE 5. *Global Forum Sub-Recommendations*

Notes: This plot displays the proportion of CRS members to receive recommendations from the Global Forum for specific sub-requirements. Grey plots denote effective implementation, whereas white plots show legal implementation. Receiving a recommendation is commensurate with not complying. Personalist regimes are shown in black, accountable regimes in grey. Countries that were not evaluated for effective implementation were coded as needing recommendations.

tion on its residents with over half of the CRS signatories. Some countries, such as the Bahamas, have agreed to share but not receive information, generating concerns that they may use citizenship laws to circumvent the regime. Other countries, like Ghana and Albania, have yet to receive information because of concerns about domestic capacity, but intend to do so in the future with technical support from the OECD.

If personalist countries engage in fewer information exchanges through the network, this also signals a lack of commitment to the regime. Using data scraped from the OECD's website for networks reported in 2022, this is indeed the case: accountable regimes both share and receive information more than personalist states do. On average, accountable governments share information with 78 countries and receive information from 95 partners, whereas personalist governments share information with 73 countries (two-tailed t-test $p = 0.054$) and receive information with a piddling 67 countries (two-tailed t-test $p = 0.055$).

Collectively, these tests demonstrate personalist states' relative lack of commitment to carrying out tax transparency reforms domestically and their even smaller commitment in the sharing network itself. This provides further evidence that their motives for committing to AEOI diverge from those of accountable governments.

Illustrative Case Studies

To trace more thoroughly the divergent mechanisms driving tax transparency commitment, I examine the cases of Kenya and Rwanda. Both countries have committed fully to the tax transparency regime, passing final AEOI regulations in the spring of 2023. They are both members of the East African Community, which, among other economic exchanges, facilitates tax cooperation amongst its members. They are also the two EAC members with the highest tax collection relative to GDP, suggesting similar capacity to engage in tax transparency. Thus, they are similar in terms of general interest in economic cooperation and in their fiscal strength, two primary alternative explanations which may still inform the correlations shown above. However, Kenya is a relatively accountable democracy, whereas Rwanda is a personalist autocracy. Despite their commonalities, their institutional differences inform their interest in AEOI.

Kenya: Tax Transparency Driven by Accountability

Kenya joined the Global Forum in 2010, ratified the Convention in 2021, and committed to the CRS in 2021. Kenya's interest in tax transparency stretches back in to the mid-2000s, when it was wrestling with the way multinational companies used offshore finance to obscure ownership. In 2006, for instance, a firm named Mobitelea Ventures was revealed to have benefited from a relationship with Vodafone and to possess an ownership stake in the country's biggest mobile phone operator. The legislature investigated Mobitelea to determine if there were any government officials behind the front company, but could not uncover any corruption, as it was owned by shell companies registered in Guernsey, a noted tax haven (Rice, 2007). Frustrated legislators could not determine illicit dealings were behind the ownership structure despite obvious monetary gains for Mobitelea parenciteMobiteleaReapsMillions2020. Other corruption scandals revealed perpetrators' identities but still left Kenya unable to access the gains stashed in offshore tax havens (Avril, 2011).

As the 2010s wore on, the Kenyan government took more action against corruption and tax evasion, typically driven by the independent KRA in conjunction with the legislature and judiciary. President Kenyatta campaigned against graft and fired several dozen tax officials accused of abetting corruption (Kenyatta, 2019).[17] The KRA was able to trace and fine a company for developing a tax evasion scheme through the finance hub of Mauritius (Fitzgibbon, 2022). The High Court declared a double tax treaty, also with Mauritius, as unconstitutional because the executive failed to go through the complete ratification procedures (Fitzgibbon, 2019); the treaty remains unratified. The Kenyan government also passed new laws to limit profit shifting by multinational corporations and enforced them more strenuously.

International cooperation formed a key part of these developments. The corruption that was previously unpunished in Kenya was facilitated by offshore finance, and thus required working with other countries to overcome. This can be best seen in legislatorial documents from Kenya's ratification of the Convention. The parliamentary committee in charge of reviewing treaties met with representatives from the National Treasury and the KRA, and ultimately recommended the Parliament pass the treaty because of the Convention's benefit for tax collection and limiting corruption, especially by being a multilateral instrument instead of a series of bilateral negotiations, and the potential for attracting increased FDI (*Report on the Consideration for Ratification of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters*, 2019).

The discussion in the legislature centered entirely on tax and corruption benefits and not at all on the potential to attract investment. For example, one representative discussed the revenue other countries gained after sharing information, concluding that the National Assembly should ratify the Convention because it would "help this country to increase its tax collection and also try to weigh in on those who have been avoiding tax and those who have been hiding information from the tax net outside this jurisdiction" (*National Assembly Debates*, 2019). This sentiment — a focus on collecting new tax revenues and catching tax cheats — was echoed in later discussions when passing the CRS in 2021 (*National Assembly Debates*, 2021), and again in the Treasury regulations beginning the process of enforcement (Treasury, 2023).

Kenya has committed to the tax transparency regime for the express purpose the international institution was designed for: to cooperate to resolve issues of tax evasion through offshore financial centers. The steps toward AEOI were driven by government officials pushing to find a way to limit corruption,

[17] Though it's worth noting that the Pandora Papers revealed that he and his family were taking advantage of offshore finance during this time (Fitzgibbon, 2021).

especially coming from the executive office, as had been revealed in previous scandals. The legislature, judiciary, and semi-autonomous tax administration each played a key role in Kenya's commitment to tax transparency. Kenya's membership is a clear case of genuine commitment powered by a horizontally accountable administration.

Rwanda: In Pursuit of International Finance

Rwanda joined the Global Forum much later, in 2017, but ratified the Convention in 2021 and formally enforced the CRS in 2023. Like Kenya, Rwanda is grappling with corruption, but, as befits a more opaque country governed by a personalist leader, its efforts to address it are quite different. Rwanda's leadership has taken a top-down approach to reducing administrative corruption, including passing reforms to liberalize trade and finance to reduce the opportunities for governmental graft (Turkewitz et al., 2020). It has prioritized stamping out corruption as a means of improving property rights and enhancing growth (Redifer et al., 2020). The government has also passed laws to recover corrupt assets as part of its anti-money laundering initiatives, though effective recovery of assets has remained quite limited (Rwanda, 2019). Tax evasion remains a serious issue for the revenue authorities (Favour, 2021). This accords with its milquetoast response to Rwandan officials being named in the Panama Papers (Fitzgibbon, 2016).

Though Rwanda has committed fully to AEOI, its public statements about tax cooperation are not an extension of its anti-corruption efforts and thus are of far different tone than Kenya's. When Rwanda signed the Convention, it was primarily hailed as a means to an end: instilling international confidence in the Kigali International Financial Centre (MENAFN, 2021). The press release from the finance ministry after the signing the Convention notes, "the outcome or "Rating" by the OECD/GF will send a signal to investors on Rwanda's position vis a vis to the standards. This will play [a] huge role in investors decision making especially when deciding where to invest [sic]" (MINECOFIN, 2021). Even the head of the tax administration — nominally the person most invested in stopping tax evasion — echoed the goals in an interview, emphasizing the desire "to become a trusted financial hub, and a destination of foreign direct investments" (Bahati, 2023).

The focus on sending signals to investors accords with Rwanda's efforts to develop via international finance. The president, Paul Kagame, has facilitated a neoliberal financial framework, particularly evident in the country's adoption of Basel framework standards to attract foreign banks to Rwanda (Behuria, 2020, p. 141). This appears to be driven by Rwanda's post-conflict experience, in which the leadership concluded that control of finance would hinder recovery (Behuria, 2020, p. 131). It is also clear in the country's development goals, which presume "a private sector led growth and transformation economic model" (of Rwanda, 2020). The priority of attracting foreign finance has thus informed Rwanda's commitments to tax transparency.

Taken together, this provides strong evidence that Rwanda's purpose for committing to tax transparency is vastly different than Kenya's. Despite being similarly plagued by executive corruption and offshore finance, the regime has not stated an interest in using AEOI to limit tax evasion. Instead, it has made clear that it sees the tax transparency regime as a signal to investors of Rwanda's value as a financial hub.

Discussion

Why do countries sacrifice fiscal sovereignty to stop international tax evasion? This paper answers this question with a theory rooted in dueling domestic mechanisms. On the one hand, when elites are constrained by horizontally accountable institutions capable of pursuing information about offshore finance, their countries will be more likely to commit to tax transparency. On the other hand, in personalist regimes where elites have the power to resist tax transparency, they may need sustained access to international finance. These countries will commit to tax transparency as a means of signaling to international markets that their economic climate is safe for investment.

This paper reports robust empirical support for both mechanisms. Using models that directly model time, account for unobserved country heterogeneity, and factor in previous institutional commitments, horizontal accountability has an unconditional positive association with a country's commitment to tax transparency. In an unaccountable sub-sample, though, being governed by a market-oriented leader is strongly associated with tax transparency. To address the limitations of observational data, the results are reconfirmed through several robustness checks, multiple mechanism tests examining government policies after joining the CRS, and illustrative case studies of similar countries, Kenya and Rwanda.

Crucially, this means the tax transparency regime is composed of two divergent blocks of members. There are countries which join as part of their genuine efforts to mitigate abuse of offshore finance. Yet there are also members who have no interest demonstrable interest in stopping tax evasion. The two membership paths may generate incoherent policies that limit AEOI's efficacy.

These findings are important for at least three reasons. First, studies in international finance are still wrestling with how tax policies affect investment and how they distort established findings in international political economy. This research will also need to incorporate tax transparency, as financial practices will respond to membership within the tax transparency regime, the degree of enforcement of AEOI, and the new tax policies members enact. Knowing why countries commit to the regime, or fail to, will help to generate new expectations about capital flows.

Second, extant research into international tax cooperation has focused largely on systemic factors rather than domestic explanations. By offering a new theory of tax cooperation, this paper can offer insight into other burgeoning tax institutions. This may be especially important as tax studies often emphasize electoral institutions, as opposed to power sharing within the government. The most arcane rules in international taxation are applied to multinational corporations, and they are where the most work needs to be done to inhibit corporate tax avoidance. Commitments to the tax transparency regime can offer scholars and practitioners alike a lens with which to examine countries' interests in reforming the corporate tax system.

Third, by studying a new form of tax institutions, this paper examines an overlooked side of international cooperation since the 2008 financial crisis. The success of efforts to sustain the benefits of financial globalization while mitigating the potential backlash to it will depend on the underlying rationale international cooperation. If newer institutions require unconstrained, personalist governments to be members, then the institutions may be hamstrung. At the least, institution designers should consider the domestic political priorities of important non-democratic members. This consideration is sure to prove valuable, given the broad interest in the future of the liberal international order and economic cooperation.

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A Descriptive Appendix

Country	Year	Regime	Commitment	Start Time	Stop Time
Canada	2009	Global Forum	1	0	1
Canada	2010	Global Forum	0	1	2
Canada	2011	Global Forum	0	2	3
Canada	2012	Global Forum	0	3	4
Canada	2013	Convention	1	4	5
Canada	2014	Convention	0	5	6
Canada	2015	Convention	0	6	7
Canada	2016	CRS	1	7	8
Cameroon	2009	None	0	0	1
Cameroon	2010	None	0	1	2
Cameroon	2011	None	0	2	3
Cameroon	2012	Global Forum	1	3	4
Cameroon	2013	Global Forum	0	4	5
Cameroon	2014	Global Forum	0	5	6
Cameroon	2015	Convention	1	6	7
Cameroon	2016	Convention	0	7	8
Cameroon	2017	Convention	0	8	9
Cameroon	2018	Convention	0	9	10
Cameroon	2019	Convention	0	10	11
Cameroon	2020	Convention	0	11	12
Cameroon	2021	Convention	0	12	13

TABLE 2. *Sample Data Structure for Response Variable*

Notes: This table provides complete outcomes for two countries: Canada and Cameroon. *Start Time* and *Stop Time* are the outcomes in the Cox proportional hazards models, and *Commitment* is the event. When a country commits to a new stage in the tax transparency regime, the event variable *Commitment* becomes 1 for the given year. The lag of the *Regime* membership is used for conditional stratification. When a country joins the CRS, as Canada does in 2016, it then drops out of the data. When a country does not join the CRS, as Cameroon has not, it remains in the data until the final observation year, 2021.

Variable	Observations	Mean	StdDev	Min	Max
Horizontal Accountability	1798	0.306	0.958	−1.9940	2.3220
Market-Oriented Leader	1679	0.366	0.482	0.0000	1.0000
GDP Per Capita (logged)	1748	8.225	1.337	5.5646	11.5763
Population (logged	1798	16.173	1.492	13.1313	21.0570
GDP Growth	1752	3.098	5.718	−50.3385	86.8267
Fragile State Index	1693	74.858	21.785	17.7000	114.9000
Share US Investment (logged)	1658	0.156	0.153	0.0000	0.6871
Resource Rents (logged)	1751	1.658	1.076	0.0000	4.3874
Net FDI % GDP	1735	4.886	14.057	−37.1727	279.3473
Trade % GDP	1641	80.711	44.211	0.7569	379.0986
BITs (logged)	1798	3.087	1.016	0.0000	4.9558
EU Tax Blacklist	1798	0.009	0.097	0.0000	1.0000
Tax Revenue	1152	16.240	7.230	0.0000	60.9464

TABLE 3. *Descriptive Statistics (Full Sample)*

Variable	Observations	Mean	StdDev	Min	Max
Horizontal Accountability	895	−0.495	0.598	−1.9940	0.4470
Market-Oriented Leader	817	0.282	0.450	0.0000	1.0000
GDP Per Capita (logged)	846	7.816	1.172	5.5646	11.2049
Population (logged	895	16.306	1.393	13.3731	21.0570
GDP Growth	851	3.575	5.466	−36.3920	43.4796
Fragile State Index	820	84.074	14.673	32.9000	114.7000
Share US Investment (logged)	815	0.123	0.145	0.0000	0.6871
Resource Rents (logged)	855	1.957	1.020	0.0000	4.1277
Net FDI % GDP	833	4.148	5.559	−18.9178	39.8109
Trade % GDP	808	79.584	47.632	0.7569	379.0986
BITs (logged)	895	3.049	0.909	0.0000	4.8828
EU Tax Blacklist	895	0.007	0.082	0.0000	1.0000
Tax Revenue	531	13.158	5.760	0.9396	60.9464

TABLE 4. *Descriptive Statistics (Autocratic Sub-Sample)*

Notes: This table reports summary statistics for the covariates when horizontal accountability is less than the full-sample median of .45.

B Tax Transparency Regime Commitments

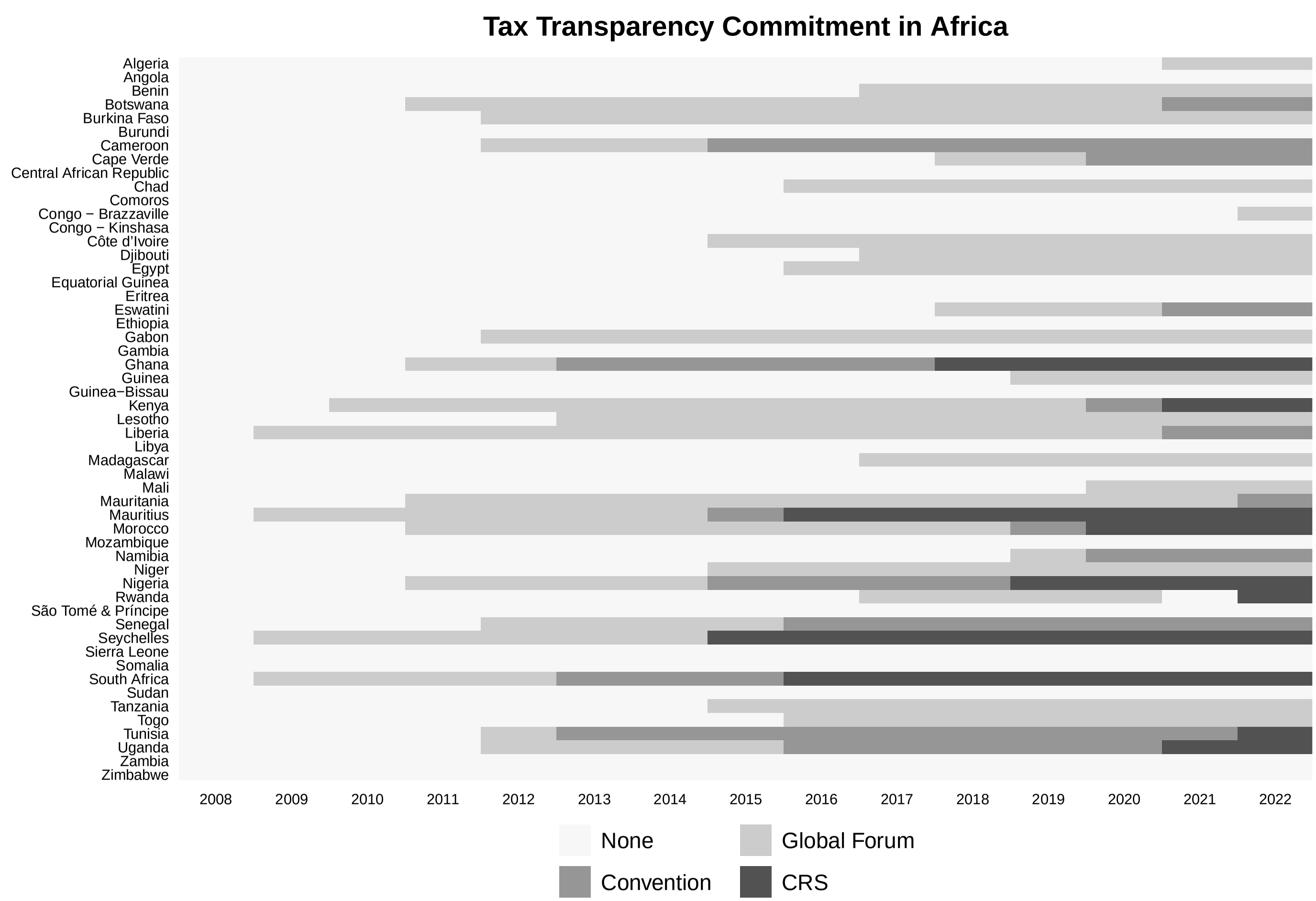

FIGURE 6. *Tax Transparency Commitment: Africa*

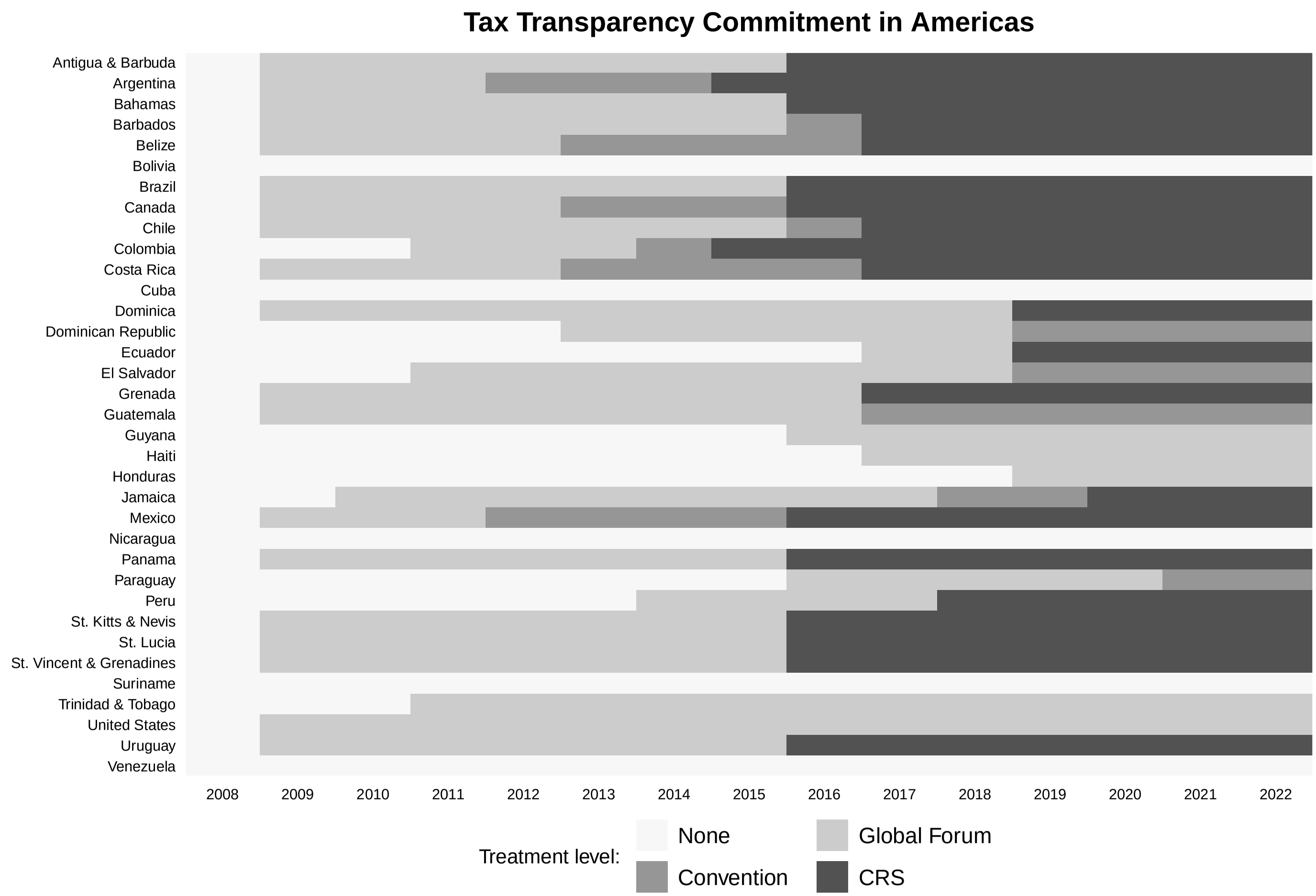

FIGURE 7. *Tax Transparency Commitment: Americas*

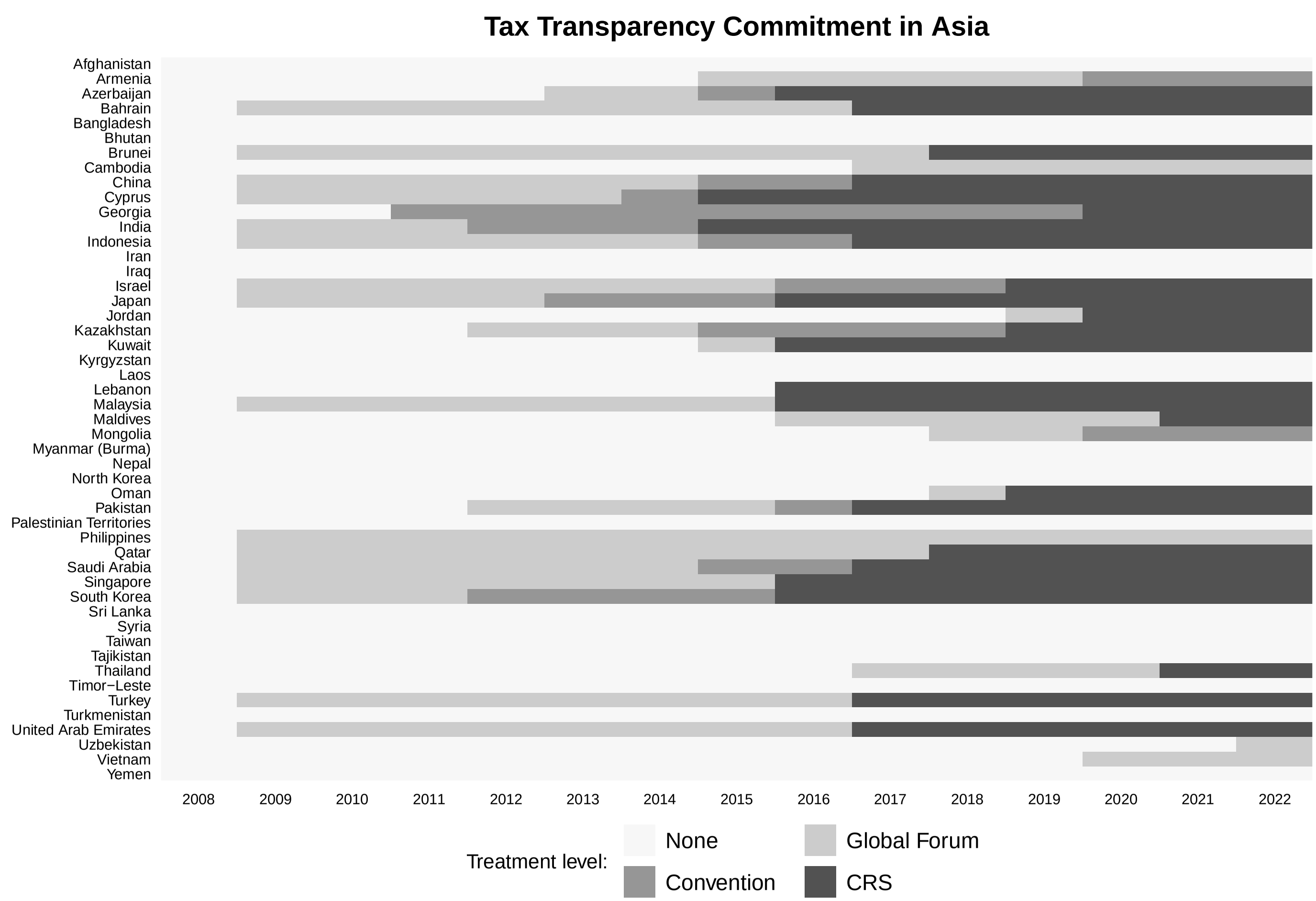

FIGURE 8. *Tax Transparency Commitment: Asia*

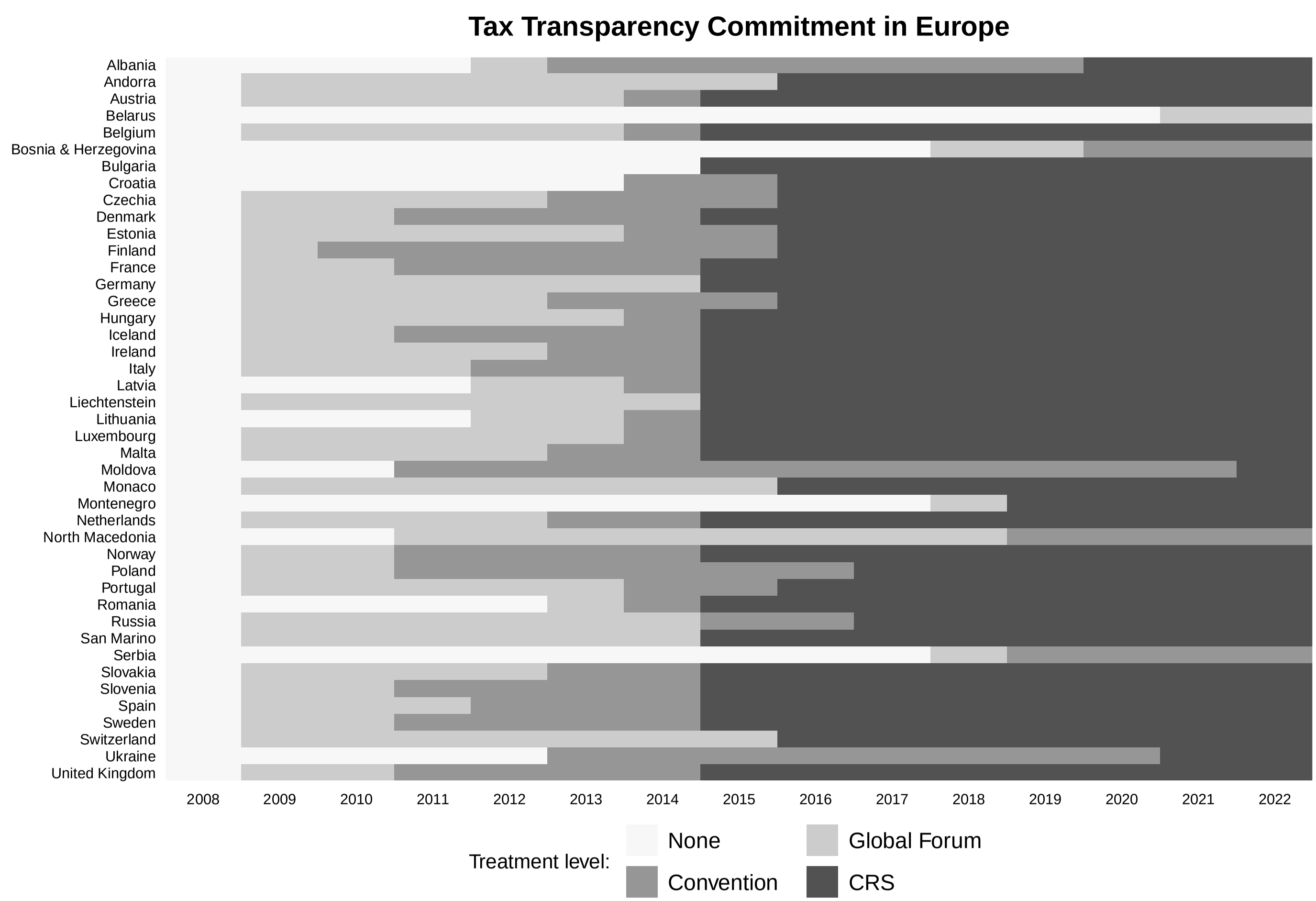

FIGURE 9. *Tax Transparency Commitment: Europe*

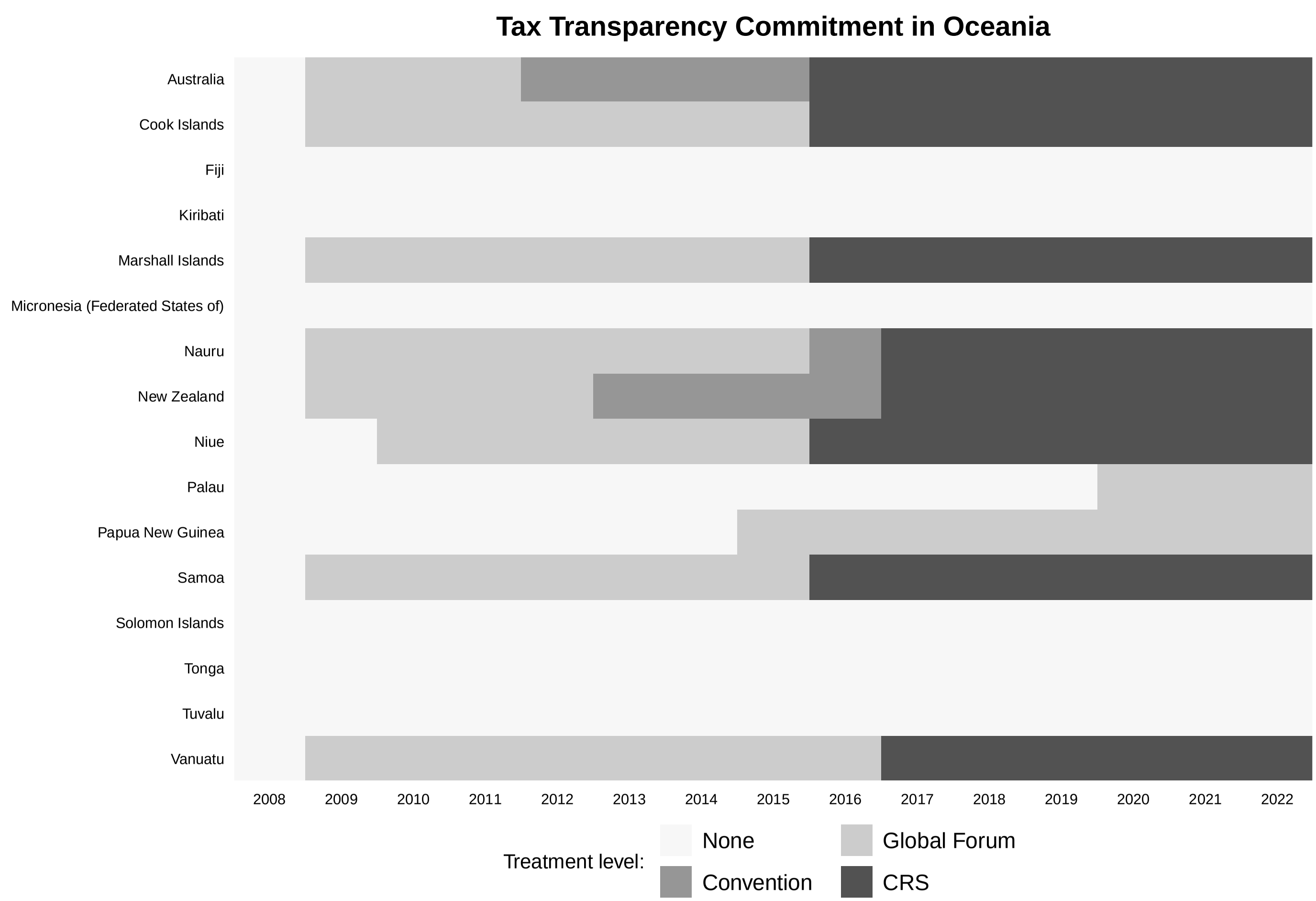

FIGURE 10. *Tax Transparency Commitment: Oceania*

C Robustness Checks

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Horizontal Accountability	0.83^{***}	0.51^{**}	0.45^{*}		-0.04	0.01
	(0.19)	(0.22)	(0.25)		(0.28)	(0.34)
Market-Oriented Leader		0.18	0.19	1.74^{***}	1.86^{**}	1.62^{*}
		(0.14)	(0.16)	(0.67)	(0.89)	(0.93)
Time (logged)						
Horizontal Accountability x Time (logged)	-0.30^{***}	-0.14	-0.09			
	(0.10)	(0.11)	(0.12)			
Market-Oriented Leader x Time (logged)				-0.64^{*}	-0.66	-0.46
				(0.34)	(0.43)	(0.46)
GDP Per Capita (logged)		0.19	0.27^{*}		0.36	0.74^{**}
		(0.12)	(0.15)		(0.24)	(0.33)
Population (logged)		0.18^{***}	0.21^{***}		0.27^{*}	0.26
		(0.06)	(0.07)		(0.15)	(0.17)
GDP Growth		-0.01	-0.00		0.00	0.02
		(0.02)	(0.02)		(0.04)	(0.05)
Fragile State Index		-0.02^{***}	-0.01		-0.02	-0.02
		(0.01)	(0.01)		(0.02)	(0.03)
EU Tax Blacklist		0.43	0.18			
		(0.76)	(1.08)			
Share US Investment (logged)		0.75	0.10		1.67	0.77
		(0.53)	(0.59)		(1.10)	(1.30)
Resource Rents (logged)		-0.06	0.03		-0.05	0.07
		(0.08)	(0.11)		(0.15)	(0.21)
Net FDI % GDP		0.01	0.01		-0.02	-0.03
		(0.00)	(0.00)		(0.03)	(0.04)
Trade % GDP		0.00	0.00		0.00	0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.14	0.10		0.04	0.02
		(0.09)	(0.10)		(0.24)	(0.27)
Tax Revenue			0.02			0.03
			(0.01)			(0.04)
OECD Member	1.05^{***}	0.25	0.35	1.59^{***}	0.57	0.35
	(0.20)	(0.27)	(0.30)	(0.59)	(0.71)	(0.80)
Tax Haven	0.50^{**}	0.06	0.16	1.60^{***}	0.96	0.76
	(0.22)	(0.28)	(0.34)	(0.48)	(0.63)	(0.97)
Countries	165	153	128	90	85	73
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	264	246	192	69	61	45
Num. obs.	1813	1460	1039	883	704	486

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 5. *Conditional Frailty Survival Models – Time Interactions*

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Horizontal Accountability	0.26^{*}	0.30^{*}	0.48^{**}	0.32	0.07	0.18
	(0.15)	(0.16)	(0.21)	(0.27)	(0.31)	(0.37)
Vertical Accountability	0.27	0.09	−0.06	−0.41	−0.27	−0.49
	(0.23)	(0.26)	(0.31)	(0.29)	(0.34)	(0.43)
Market-Oriented Leader	0.57^{***}	0.55^{***}	0.53^{**}	0.61^{**}	0.68^{**}	0.83^{**}
	(0.16)	(0.18)	(0.22)	(0.27)	(0.33)	(0.40)
GDP Per Capita (logged)		0.17	0.35^{*}		0.33	0.67^{*}
		(0.14)	(0.20)		(0.25)	(0.34)
Population (logged)		0.28^{***}	0.35^{***}		0.28^{*}	0.20
		(0.08)	(0.11)		(0.15)	(0.18)
GDP Growth		−0.00	0.00		0.00	0.02
		(0.02)	(0.02)		(0.04)	(0.05)
Fragile State Index		-0.04^{***}	-0.03^{*}		−0.03	−0.03
		(0.01)	(0.01)		(0.02)	(0.03)
EU Tax Blacklist		0.49	0.09			
		(0.77)	(1.09)			
Share US Investment (logged)		1.44^{*}	1.00		1.81	1.32
		(0.75)	(0.86)		(1.12)	(1.40)
Resource Rents (logged)		−0.01	0.21		−0.05	0.06
		(0.10)	(0.14)		(0.15)	(0.22)
Net FDI % GDP		0.01	0.00		−0.02	−0.03
		(0.00)	(0.01)		(0.03)	(0.04)
Trade % GDP		-0.01^{**}	-0.01^{*}		−0.00	−0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.19	0.04		0.01	0.06
		(0.16)	(0.18)		(0.23)	(0.27)
Tax Revenue			0.04^{**}			0.02
			(0.02)			(0.03)
Tax Haven	1.32^{***}	1.10^{***}	1.65^{***}	1.53^{***}	1.13^{*}	0.96
	(0.31)	(0.41)	(0.53)	(0.49)	(0.65)	(1.00)
Countries	127	118	97	88	85	73
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	160	145	104	65	61	45
Num. obs.	1502	1192	801	868	704	486

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 6. *Vertical Accountability Controls*

	1	2	3	4	5
Legislative Constraints	0.99***			1.26*	1.60*
	(0.33)			(0.76)	(0.88)
Judicial Constraints		1.03***		0.49	0.41
		(0.36)		(0.52)	(0.61)
Executive Oversight			0.16**	−0.15	−0.17
			(0.07)	(0.15)	(0.17)
Market-Oriented Leader	0.18	0.22	0.20	0.19	0.16
	(0.14)	(0.14)	(0.14)	(0.14)	(0.17)
GDP Per Capita (logged)	0.21*	0.19	0.19	0.21*	0.28*
	(0.12)	(0.12)	(0.12)	(0.12)	(0.15)
Population (logged)	0.20***	0.20***	0.19***	0.20***	0.24***
	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)
GDP Growth	−0.01	−0.01	−0.01	−0.01	−0.00
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Fragile State Index	−0.02***	−0.02***	−0.02***	−0.02***	−0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
EU Tax Blacklist	0.34	0.22	0.44	0.20	0.01
	(0.76)	(0.76)	(0.76)	(0.76)	(1.08)
Share US Investment (logged)	0.66	0.64	0.68	0.65	0.03
	(0.53)	(0.54)	(0.53)	(0.54)	(0.60)
Resource Rents (logged)	−0.04	−0.02	−0.07	−0.02	0.08
	(0.08)	(0.08)	(0.08)	(0.08)	(0.11)
Net FDI % GDP	0.01	0.01	0.01	0.01	0.01
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Trade % GDP	0.00	0.00	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
BITs (logged)	0.14	0.16*	0.14	0.14	0.09
	(0.09)	(0.09)	(0.09)	(0.09)	(0.10)
Tax Revenue					0.02
					(0.01)
Tax Haven	0.03	0.05	0.09	−0.01	0.10
	(0.28)	(0.29)	(0.28)	(0.29)	(0.35)
Countries	153	153	153	153	128
Frailty Parameter	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes
Num. events	245	246	245	245	191
Num. obs.	1459	1460	1459	1459	1038

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 7. *Sub-Indices of Horizontal Accountability*

	Interaction			Accountable Sub-Sample		
	1	2	3	4	5	6
Horizontal Accountability	0.54***	0.44***	0.48***	0.16	−0.13	−0.17
	(0.12)	(0.13)	(0.16)	(0.23)	(0.26)	(0.29)
Market-Oriented Leader	0.56***	0.51***	0.52**	0.06	0.04	0.03
	(0.17)	(0.19)	(0.22)	(0.15)	(0.16)	(0.18)
Horizontal Accountability x Market_Oriented Leader	−0.40***	−0.39***	−0.39**			
	(0.14)	(0.15)	(0.18)			
GDP Per Capita (logged)		0.20*	0.29**		0.03	0.07
		(0.12)	(0.15)		(0.15)	(0.19)
Population (logged)		0.21***	0.25***		0.19**	0.22**
		(0.06)	(0.07)		(0.08)	(0.09)
GDP Growth		−0.01	−0.00		−0.00	0.00
		(0.02)	(0.02)		(0.02)	(0.02)
Fragile State Index		−0.02***	−0.01		−0.02***	−0.02
		(0.01)	(0.01)		(0.01)	(0.01)
Share US Investment (logged)		0.75	0.08		0.72	0.17
		(0.53)	(0.59)		(0.65)	(0.74)
Resource Rents (logged)		−0.09	0.01		−0.07	0.07
		(0.08)	(0.11)		(0.11)	(0.15)
Net FDI % GDP		0.01	0.01		0.01	0.01
		(0.00)	(0.00)		(0.00)	(0.00)
Trade % GDP		0.00	0.00		0.00	0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.12	0.07		0.13	0.11
		(0.09)	(0.10)		(0.11)	(0.12)
Tax Revenue			0.02			0.02
			(0.01)			(0.02)
OECD Member	1.37***	0.31	0.38	1.36***	0.59*	0.75**
	(0.20)	(0.26)	(0.30)	(0.25)	(0.32)	(0.37)
Tax Haven	0.41*	−0.01	0.10	0.25	−0.00	0.19
	(0.22)	(0.28)	(0.34)	(0.26)	(0.32)	(0.39)
Countries	162	153	128	102	96	79
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified by						
Previous Commitment	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	261	246	192	191	184	146
Num. obs.	1770	1460	1039	886	755	552

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 8. *Models with Interactions (H1 and H2)*

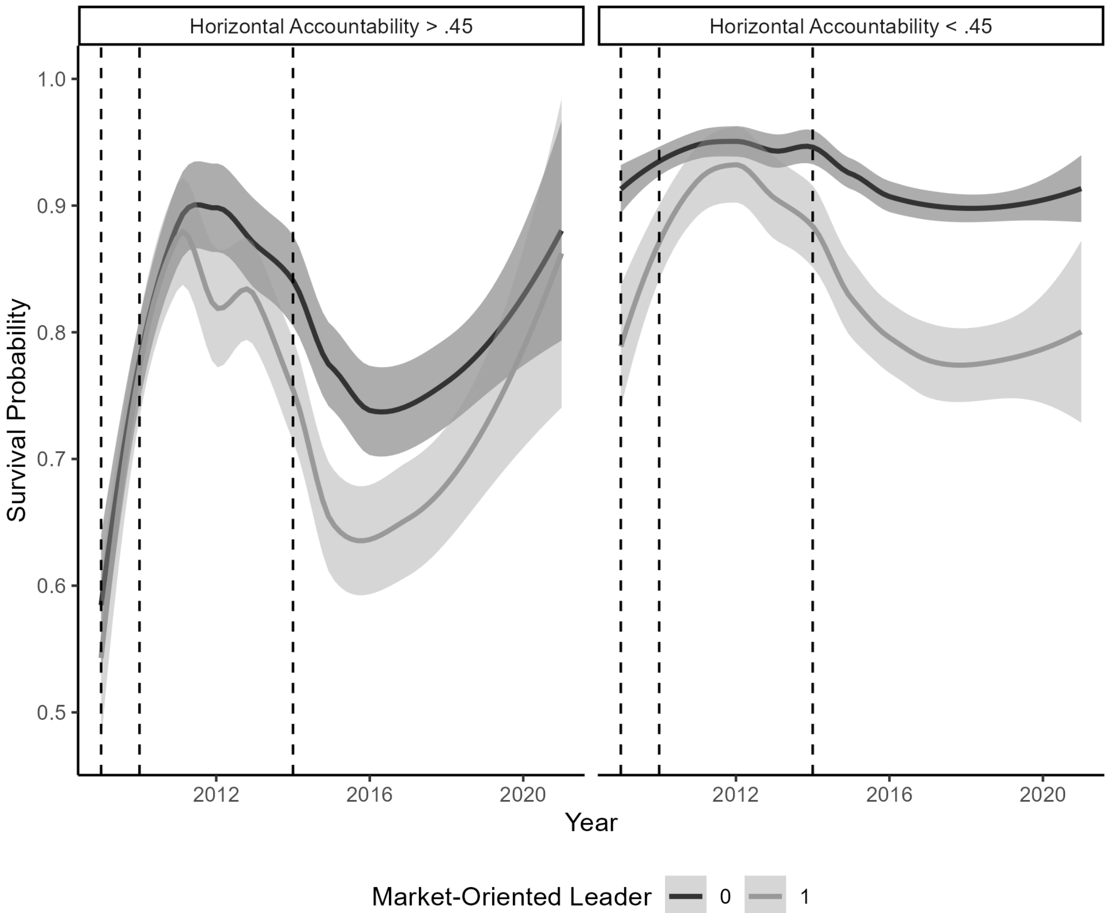

FIGURE 11. *Survival Probabilities (Interaction Models)*

	Hypothesis 1					
	1	2	3	4	5	6
Liberalism	1.82***	1.57***	1.64***			
	(0.39)	(0.46)	(0.56)			
Presidentialism				−1.31***	−1.24***	−1.37***
				(0.30)	(0.37)	(0.45)
Market-Oriented Leader		0.20	0.19		0.22	0.21
		(0.14)	(0.16)		(0.14)	(0.16)
GDP Per Capita (logged)		0.23**	0.29**		0.21*	0.27*
		(0.12)	(0.15)		(0.12)	(0.15)
Population (logged)		0.22***	0.25***		0.21***	0.25***
		(0.06)	(0.07)		(0.06)	(0.07)
GDP Growth		−0.01	−0.01		−0.01	−0.01
		(0.02)	(0.02)		(0.02)	(0.02)
Fragile State Index		−0.01**	−0.01		−0.02***	−0.01
		(0.01)	(0.01)		(0.01)	(0.01)
EU Tax Blacklist		0.23	0.00		0.20	−0.06
		(0.76)	(1.07)		(0.76)	(1.07)
Share US Investment (logged)		0.56	−0.03		0.58	−0.03
		(0.54)	(0.60)		(0.54)	(0.60)
Resource Rents (logged)		0.00	0.09		−0.01	0.10
		(0.08)	(0.11)		(0.08)	(0.11)
Net FDI % GDP		0.01	0.00		0.01	0.00
		(0.00)	(0.00)		(0.00)	(0.00)
Trade % GDP		0.00	0.00		0.00	0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.16*	0.11		0.16*	0.12
		(0.09)	(0.10)		(0.09)	(0.10)
Tax Revenue			0.02			0.02
			(0.01)			(0.01)
OECD Member	1.34***	0.26	0.37	1.36***	0.25	0.34
	(0.22)	(0.26)	(0.30)	(0.19)	(0.26)	(0.29)
Tax Haven	0.64**	0.09	0.19	0.42*	0.07	0.20
	(0.28)	(0.29)	(0.34)	(0.22)	(0.29)	(0.34)
Countries	165	153	128	164	153	128
Frailty Parameter	0.02	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	264	246	192	263	246	192
Num. obs.	1813	1460	1039	1798	1460	1039

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 9. *Hypothesis 1: V-Dem Alternative Measures*

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Executive Constraints	0.14^{***}	0.13^{**}	0.13^{*}	0.13	0.11	0.20
	(0.05)	(0.06)	(0.07)	(0.15)	(0.21)	(0.23)
Market-Oriented Leader	0.34^{**}	0.21	0.22	0.74^{**}	0.86^{**}	0.75
	(0.15)	(0.14)	(0.17)	(0.30)	(0.38)	(0.50)
GDP Per Capita (logged)		0.23^{*}	0.30^{**}		0.22	0.38
		(0.12)	(0.15)		(0.28)	(0.34)
Population (logged)		0.21^{***}	0.22^{***}		0.40^{**}	0.40^{*}
		(0.06)	(0.07)		(0.19)	(0.22)
GDP Growth		−0.02	−0.00		−0.03	−0.04
		(0.02)	(0.03)		(0.04)	(0.05)
Fragile State Index		-0.02^{***}	−0.01		−0.03	−0.03
		(0.01)	(0.01)		(0.02)	(0.03)
EU Tax Blacklist		0.36	0.37			
		(0.76)	(1.08)			
Share US Investment (logged)		0.74	0.21		1.77	−0.60
		(0.54)	(0.60)		(1.24)	(1.47)
Resource Rents (logged)		0.01	0.07		0.00	0.14
		(0.09)	(0.11)		(0.21)	(0.28)
Net FDI % GDP		0.01	0.01		−0.03	−0.03
		(0.00)	(0.00)		(0.04)	(0.04)
Trade % GDP		0.00	0.00		−0.00	0.00
		(0.00)	(0.00)		(0.00)	(0.01)
BITs (logged)		0.14	0.10		−0.17	−0.13
		(0.09)	(0.10)		(0.29)	(0.33)
Tax Revenue			0.02			0.03
			(0.01)			(0.04)
OECD Member	1.51^{***}	0.36	0.44	0.52	1.02	−0.53
	(0.21)	(0.26)	(0.30)	(1.12)	(1.34)	(1.32)
Tax Haven	0.67^{**}	0.07	0.10	1.20^{*}	0.94	0.42
	(0.27)	(0.28)	(0.34)	(0.62)	(1.03)	(1.95)
Countries	161	151	124	68	62	52
Frailty Parameter	0.02	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	256	241	187	57	51	41
Num. obs.	1724	1415	1009	633	486	324

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 10. *Robustness Check with Polity Measure*

	Reference Category: Leftist		
	1	2	3
Centrist Leader	0.85**	0.57	0.42
	(0.37)	(0.44)	(0.51)
Market-Oriented Leader	0.86***	0.81**	0.89**
	(0.30)	(0.35)	(0.41)
Horizontal Accountability	0.05	−0.04	0.06
	(0.23)	(0.28)	(0.35)
GDP Per Capita (logged)		0.32	0.75**
		(0.24)	(0.33)
Population (logged)		0.30**	0.28
		(0.15)	(0.17)
GDP Growth		0.00	0.02
		(0.04)	(0.05)
Fragile State Index		−0.03	−0.02
		(0.02)	(0.03)
Share US Investment (logged)		1.44	0.55
		(1.12)	(1.33)
Resource Rents (logged)		−0.00	0.12
		(0.15)	(0.21)
Net FDI % GDP		−0.01	−0.03
		(0.03)	(0.04)
Trade % GDP		0.00	−0.00
		(0.00)	(0.00)
BITs (logged)		0.01	0.01
		(0.24)	(0.28)
Tax Revenue			0.03
			(0.03)
OECD Member	1.61***	0.81	0.43
	(0.61)	(0.72)	(0.81)
Tax Haven	1.40***	0.93	0.63
	(0.46)	(0.64)	(1.01)
Countries	90	85	73
Frailty Parameter	0.00	0.00	0.00
Stratified	Yes	Yes	Yes
Num. events	69	61	45
Num. obs.	883	704	486

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 11. *Hypothesis 2: Trichotomous Measure of Leader Ideology*

	Hypothesis 2					
	1	2	3	4	5	6
KOF Financialization de jure	0.04***	0.01	0.04**			
	(0.01)	(0.01)	(0.02)			
Business Elites Support Regime				1.24***	1.03**	0.81
				(0.44)	(0.49)	(0.62)
GDP Per Capita (logged)		0.29	0.74**		0.42*	0.74**
		(0.25)	(0.33)		(0.25)	(0.34)
Population (logged)		0.23	0.26		0.26*	0.20
		(0.15)	(0.18)		(0.15)	(0.17)
GDP Growth		−0.01	0.02		−0.00	0.01
		(0.04)	(0.05)		(0.04)	(0.05)
Fragile State Index		−0.02	−0.01		−0.02	−0.01
		(0.02)	(0.03)		(0.02)	(0.03)
Share US Investment (logged)		1.52	0.17		1.24	0.40
		(1.11)	(1.29)		(1.12)	(1.26)
Resource Rents (logged)		0.05	0.37		0.03	0.13
		(0.15)	(0.23)		(0.15)	(0.20)
Net FDI % GDP		−0.02	−0.04		−0.03	−0.03
		(0.03)	(0.04)		(0.03)	(0.04)
Trade % GDP		−0.00	−0.00		0.00	−0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.06	−0.11		0.03	0.04
		(0.24)	(0.29)		(0.24)	(0.27)
Tax Revenue			0.07*			0.03
			(0.04)			(0.03)
OECD Member	1.39**	0.94	0.51	2.06***	1.21*	0.95
	(0.62)	(0.70)	(0.77)	(0.61)	(0.70)	(0.76)
Tax Haven	0.89*	0.97	0.79	1.76***	1.13*	0.77
	(0.50)	(0.66)	(1.00)	(0.48)	(0.67)	(1.04)
Countries	88	85	73	91	85	73
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	69	61	45	69	61	45
Num. obs.	861	704	486	887	700	485

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 12. *Hypothesis 2: Altnerative Measures for Right-Leaning Leadership*

	Threshold: 1			Threshold: 0		
	1	2	3	4	5	6
Market-Oriented Leader	0.56***	0.38*	0.46*	0.57*	0.78**	0.76
	(0.19)	(0.21)	(0.26)	(0.32)	(0.39)	(0.51)
Horizontal Accountability		0.34**	0.50**		−0.31	−0.45
		(0.16)	(0.22)		(0.44)	(0.57)
GDP Per Capita (logged)		0.29*	0.58**		0.14	0.60
		(0.17)	(0.24)		(0.32)	(0.48)
Population (logged)		0.35***	0.42***		0.52***	0.48*
		(0.10)	(0.13)		(0.20)	(0.26)
GDP Growth		−0.01	−0.01		0.00	0.05
		(0.02)	(0.02)		(0.05)	(0.06)
Fragile State Index		−0.04***	−0.01		−0.04	−0.01
		(0.01)	(0.02)		(0.03)	(0.04)
Share US Investment (logged)		1.44*	0.71		1.42	0.50
		(0.79)	(0.91)		(1.26)	(1.60)
Resource Rents (logged)		−0.04	0.15		0.12	0.22
		(0.11)	(0.16)		(0.20)	(0.29)
Net FDI % GDP		0.01	0.00		0.03	0.03
		(0.01)	(0.01)		(0.04)	(0.04)
Trade % GDP		−0.00	−0.00		0.00	0.01
		(0.00)	(0.00)		(0.01)	(0.01)
BITs (logged)		0.01	−0.11		−0.22	−0.20
		(0.17)	(0.19)		(0.33)	(0.39)
Tax Revenue			0.04**			0.03
			(0.02)			(0.06)
OECD Member	1.39***	0.46	0.46	0.36	0.04	−0.28
	(0.45)	(0.47)	(0.52)	(1.09)	(1.24)	(1.38)
Tax Haven	1.45***	0.90*	1.17*	1.06	0.68	1.38
	(0.36)	(0.50)	(0.65)	(0.65)	(0.77)	(1.69)
Countries	120	110	93	70	63	54
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	126	113	84	50	43	28
Num. obs.	1271	1005	683	681	525	356

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 13. *Hypothesis 2: Alternative Horizontal Accountability Thresholds*

	Polyarchy: .468		
	1	2	3
Market-Oriented Leader	0.99***	1.02***	0.84**
	(0.31)	(0.33)	(0.41)
Horizontal Accountability		0.07	0.18
		(0.21)	(0.26)
GDP Per Capita (logged)		0.60**	0.80**
		(0.25)	(0.32)
Population (logged)		0.45***	0.43**
		(0.15)	(0.18)
GDP Growth		0.00	0.01
		(0.03)	(0.02)
Fragile State Index		−0.01	0.01
		(0.02)	(0.03)
Share US Investment (logged)		1.46	0.90
		(1.16)	(1.26)
Resource Rents (logged)		−0.16	0.11
		(0.17)	(0.23)
Net FDI % GDP		−0.02	−0.03
		(0.04)	(0.04)
Trade % GDP		−0.00	0.00
		(0.00)	(0.01)
BITs (logged)		−0.08	−0.08
		(0.25)	(0.27)
Tax Revenue			0.04
			(0.04)
OECD Member	0.34	−1.25	−1.31
	(1.30)	(1.13)	(1.18)
Tax Haven	1.48**	0.72	1.19
	(0.67)	(0.68)	(1.25)
Countries	91	83	72
Frailty Parameter	0.06	0.00	0.00
Stratified	Yes	Yes	Yes
Num. events	68	60	48
Num. obs.	876	677	458

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$

TABLE 14. *Hypothesis 2: Threshold with V-Dem Polyarchy Index*

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Horizontal Accountability	0.39***	0.34***	0.46***		−0.03	0.01
	(0.11)	(0.13)	(0.17)		(0.28)	(0.35)
Market-Oriented Leader		0.55***	0.53**	0.59**	0.58*	0.75*
		(0.18)	(0.22)	(0.27)	(0.32)	(0.40)
GDP Per Capita (logged)		0.17	0.36*		0.36	0.76**
		(0.14)	(0.20)		(0.24)	(0.33)
Population (logged)		0.28***	0.36***		0.26*	0.21
		(0.08)	(0.10)		(0.15)	(0.17)
GDP Growth		−0.00	0.00		0.01	0.04
		(0.02)	(0.02)		(0.04)	(0.05)
Fragile State Index		−0.04***	−0.03*		−0.02	−0.01
		(0.01)	(0.01)		(0.02)	(0.03)
EU Tax Blacklist		0.49	0.10			
		(0.77)	(1.09)			
Share US Investment (logged)		1.50**	0.96		1.48	0.57
		(0.73)	(0.83)		(1.12)	(1.31)
Resource Rents (logged)		−0.02	0.21		−0.06	0.07
		(0.10)	(0.14)		(0.15)	(0.21)
Net FDI % GDP		0.01	0.00		−0.02	−0.04
		(0.00)	(0.01)		(0.03)	(0.04)
Trade % GDP		−0.01**	−0.01*		−0.00	−0.00
		(0.00)	(0.00)		(0.00)	(0.00)
BITs (logged)		0.18	0.04		0.08	0.11
		(0.15)	(0.18)		(0.25)	(0.29)
Tax Revenue			0.04**			0.03
			(0.02)			(0.04)
Tax Haven	1.40***	1.11***	1.64***	1.44***	0.83	0.69
	(0.30)	(0.41)	(0.53)	(0.49)	(0.64)	(1.04)
Countries	129	118	97	88	83	71
Frailty Parameter	0.00	0.00	0.00	0.00	0.00	0.00
Stratified by						
Previous Commitment	Yes	Yes	Yes	Yes	Yes	Yes
Num. events	162	145	104	65	57	41
Num. obs.	1530	1192	801	868	689	471
PH test						

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$

TABLE 15. *Dropping OECD Entirely*

D Mechanism Tests

Domestic legal framework: Jurisdictions should have a domestic legislative framework in place that requires all Reporting Financial Institutions to conduct the due diligence and reporting procedures in the CRS, and that provides for the effective implementation of the CRS as set out therein.	
SR 1.1	Jurisdictions should define the scope of Reporting Financial Institutions consistently with the CRS.
SR 1.2	Jurisdictions should define the scope of Financial Accounts and Reportable Accounts consistently with the CRS and incorporate the due diligence procedures to identify them.
SR 1.3	Jurisdictions should incorporate the reporting requirements contained in Section I of the CRS into their domestic legislative framework.
SR 1.4	Jurisdictions should have a legislative framework in place that allows for the enforcement of the requirements of the CRS in practice.
International legal framework: Jurisdictions should have exchange relationships in effect with all Interested Appropriate Partners as committed to and that provide for the exchange of information in accordance with the Model CAA.	
SR 2.1	Jurisdictions should have exchange agreements in effect with all Interested Appropriate Partners that permit the automatic exchange of CRS information.
SR 2.2	Such an exchange agreement should be put in place without undue delay, following the receipt of an expression of interest from an Interested Appropriate Partner.
SR 2.3	Jurisdictions should ensure that the exchange agreements in effect provide for the exchange of information in accordance with the requirements of the Model CAA.
Domestic effectiveness in practice: Jurisdictions should ensure that in practice Reporting Financial Institutions correctly implement the due diligence and reporting procedures, which includes a requirement for jurisdictions to have in place an administrative framework to ensure the effective implementation of the CRS.	
SR 1.5	Jurisdictions should ensure that in practice Reporting Financial Institutions identify the Financial Accounts they maintain, identify the Reportable Accounts among those Financial Accounts, as well as their Account Holders, and where relevant Controlling Persons, by correctly conducting the due diligence procedures and collect and report the required information with respect to each Reportable Account.
SR 1.6	Jurisdictions should collaborate on compliance and enforcement. This requires jurisdictions to: use all appropriate measures available under the jurisdiction's domestic law to address errors or non-compliance notified to the jurisdiction by an exchange partner; and have in place effective procedures to notify an exchange partner of errors that may have led to incomplete or incorrect information reporting or non-compliance with the due diligence or reporting procedures by a Reporting Financial Institution in the jurisdiction of the exchange partner.
International effectiveness in practice: Jurisdictions should exchange the information effectively in practice, in a timely manner, including by sorting, preparing, validating and transmitting it in accordance with the AEOI Standard.	
SR 2.4	Jurisdictions should sort, prepare and validate the information in accordance with the CRS XML Schema and the associated requirements in the CRS XML Schema User Guide and the File Error and Correction-related validations in the Status Message User Guide (i.e. the 50000 and 80000 range).
SR 2.5	Jurisdictions should agree and use, with each exchange partner, transmission methods that meet appropriate minimum standards to ensure the confidentiality and integrity of the data throughout the transmission, including its encryption to a minimum secure standard.
SR 2.6	Jurisdictions should carry out all exchanges annually within nine months of the end of the calendar year to which the information relates.
SR 2.7	Jurisdictions should send the information in accordance with the agreed transmission methods and encryption standards.
SR 2.8	Jurisdictions should have the systems in place to receive information and, once it has been received, should send a status message to the sending jurisdictions in accordance with the CRS Status Message XML Schema and the related User Guide.
SR 2.9	Jurisdictions should respond to a notification from an exchange partner as referred to in Section 4 of the Model CAA (which may include Status Messages) in accordance with the timelines set out in the Commentary to Section 4 of the Model CAA. In all other cases, jurisdictions should send corrected, amended or additional information received from a Reporting Financial Institution as soon as possible after it has been received.

TABLE 16. *Global Forum Core Requirements and Sub-Recommendations*