**A Race to the Bottom Reignited — What the Global Minimum Tax Retreat Means for the Caribbean!**

When Caribbean countries signed on to the OECD/G20 global minimum tax agreement, it was under the promise of fairness, multilateralism, and a new era of transparency in international taxation. It was also under the threat of facing blacklists, reputational damage, and de-risking by global banks. These nations, many of whom rely heavily on investment attraction and services exports, were told that a 15% minimum tax rate on large multinationals would create a level playing field and stem the race to the bottom.

Now, with the G7's carve-out for U.S. multinationals, that promise rings hollow.

In a move driven by aggressive U.S. lobbying and political pressure, the global minimum tax no longer applies to U.S. firms — precisely the group of companies that dominate global capital, digital services, pharmaceuticals, and extractives. The result? A two-tiered system: one for American corporations, and one for everyone else.

For Caribbean nations like Barbados, Jamaica, Trinidad & Tobago, and others that restructured tax regimes, sacrificed sovereignty, and disrupted established investment models to align with OECD rules, this is more than a policy reversal — it's a betrayal.
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**A Costly Compliance**

Caribbean states were never at the table in shaping the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 agenda, yet they were bound by it. For years, they've been labelled tax havens, even while G7 capitals hosted shell companies and tolerated aggressive base erosion schemes. The global minimum tax was meant to bring fairness — to ensure that multinational corporations paid taxes where economic activity occurred, and to help restore public confidence in global tax systems.

Indeed, the much-ballyhooed Pillar Two is part of the OECD/G20 international tax reform framework known as BEPS 2.0 (Base Erosion and Profit Shifting). It establishes a global minimum corporate tax rate of 15% for large multinational enterprises (those with annual revenues over €750 million), ensuring that these companies pay at least that amount of tax in every country where they operate—regardless of local tax laws. The goal is to reduce tax avoidance, discourage profit shifting to low-tax jurisdictions, and promote fairer global tax competition.

In practice, Caribbean countries committed to new domestic top-up taxes, corporate registry overhauls, and costly digital enforcement tools — often with technical and fiscal burdens they could ill afford. They were told this was the price of legitimacy.

Now, they are being asked to continue complying while others are exempted. The G7 has made clear whose interests it ultimately serves. Indeed, the OECD Secretary-General Mathias Cormann, has framed it as a necessary compromise to reconcile the U.S. Global Intangible Low-Taxed Income (GILTI) regime with OECD rules and prevent tax fragmentation. This side-by-side approach suggesting that this averted a transatlantic tax war, which prompted U.S. lawmakers to scrap Section 899 from the Republican tax bill—a proposed 20% retaliatory levy on foreign investors from jurisdictions seen as discriminatory. It is worthy of note that the GILTI regime imposes a minimum tax on U.S. shareholders of foreign income, but at a lower effective rate and with more flexibility.

**Unequal Outcomes**

The exemption for U.S. multinationals effectively allows these firms to book profits in low-tax jurisdictions and face no Pillar Two consequences. This not only undermines the entire framework but also incentivizes companies to relocate their headquarters to the U.S., further eroding the competitiveness of small states.

For the Caribbean, this means lost opportunities. This weakens the region's value proposition as a neutral investment hub and may divert corporate structuring toward U.S. jurisdictions, especially Delaware or Puerto Rico. It also has a chilling effect on investment, and the shrinking of fiscal space just when it is needed most. In that regard, Investors may question the stability or benefit of locating operations in Caribbean jurisdictions that enforce Pillar Two strictly, especially, if others are seen as offering implicit or explicit carve-outs. Further, this could slow FDI flows just as countries are trying to attract sustainable industries like digital services, renewable energy, or medical tourism.

Moreover, countries like Bermuda, which introduced a 15% corporate income tax in good faith, now face serious questions: Will they lose revenue if U.S. firms shift their structures again? Will investors flee jurisdictions that enforce the rules while others get a pass?

This development also highlights the fact that the OECD Inclusive Framework, while nominally participatory, is dominated by G7 and OECD interests. Indeed, this G7 exemption deal reveals the fragility of that system and may reinforce arguments for an UN-led international tax framework where smaller nations can assert more influence.

**What Next?**

This moment demands a clear response. Caribbean governments should:

- Seek immediate clarification from the OECD on how carve-outs will be applied and whether developing countries can request exemptions.

• Re-evaluate national tax reforms adopted under BEPS compliance to preserve flexibility and competitiveness.

• Work through CARICOM, CELAC, and the African-Caribbean-Pacific Group to demand a more equitable international tax governance structure.

• Accelerate engagement with the UN process, where the push for a truly global and inclusive tax convention is underway — one that can replace the club-like nature of the OECD with genuine multilateralism.

Whereas, there may well be schools of thought which seek to advance the notion of the limited but not negligible legal recourse for disadvantaged States, the potential political and financial costs of that course of action are high and would not likely yield optimal results. In theory, disputes could be raised under bilateral investment treaties or WTO principles. But these routes are costly, politically fraught, and unlikely to succeed. International law gives states broad discretion over tax policy. Moreover, small jurisdictions face power asymmetries that make litigation risky and diplomatically isolating. More realistic is a coalition-building approach—pressuring through multilateral platforms, regional blocs, and moral arguments about fairness, especially as OECD legitimacy comes under fire.

In 2021, the global minimum tax was pitched as a floor beneath which no multinational could fall. Today, it is looking more like a trapdoor—selectively opened for the few, but sealed shut for the rest. If that is allowed to stand, the credibility of the entire BEPS 2.0 process will be permanently damaged.

The Caribbean should not remain the testing ground for global rules that wealthy countries abandon when politically inconvenient. It's time to challenge a tax system that punishes compliance and rewards exception. If the G7 insists on sprinting toward a new race to the bottom, the rest of us must lay the foundation for a truly inclusive multilateral framework—one where small States have a real seat at the table.