

# Report for Congress

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## **Global Taxation and the United Nations: A Review of Proposals**

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# Global Taxation and the United Nations: A Review of Proposals

## Summary

A discussion of the possibility of the United Nations promoting and planning imposition of international taxation on U.N. member states, including the United States was initiated in response to the March 2002 U.N.-sponsored International Conference on Financing for Development, held in Monterrey, Mexico. While this issue was not specifically on the agenda of the conference, preparations for the meeting included global taxation proposals as a source of “innovative revenue sources of funding.” This was the third time within the past decade that a discussion of perceived U.N.-imposed global taxation has received attention in the United States. The first occasion took place after the January 1996 comments by then-U.N. Secretary-General Boutros Boutros-Ghali suggesting a global tax; the second occurrence was brought about by a recommendation for “taxing the internet” in the 1999 U.N. Development Program (UNDP)-issued Human Development Report. In response to the first two cases, Congress enacted provisions (1) requiring executive branch certification before release of Foreign Operations funds to the United Nations that the United Nations is not involved in any effort to impose or implement taxation on any U.S. person and (2) stating that no funds made available for the United Nations may be used by the United Nations for any activity related to taxation of the internet or international currency transactions.

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# Global Taxation and the United Nations: A Review of Proposals

## Introduction

The March 2002 U.N.-sponsored International Conference on Financing for Development, held in Monterrey, Mexico, brought about a discussion of the possibility of the United Nations promoting and planning imposition of international taxation on U.N. member States, including the United States. While this issue was not specifically on the agenda of the conference, preparations for the meeting included global taxation proposals as a source of “innovative revenue sources of funding.” This was the third time within the past decade that a discussion of perceived U.N.-imposed global taxation has received attention in the United States. The first occurred after the January 1996 suggestions of then-U.N. Secretary-General Boutros Boutros-Ghali for a global tax to improve the U.N.’s financial situation and the second after a recommendation for “taxing the internet” in the 1999 U.N. Development Program (UNDP) - issued Human Development Report. As a result, Congress enacted provisions expressing its opposition to the discussion or imposition of any form of global taxation, including any plan to tax internet transactions or email by the United Nations. This report describes the three instances referred to above, the context and reasons prompting such ideas, background on the concepts, and the U.S. response. A separate section covers the three instances wherein the Congress enacted provisions relating specifically to the United Nations and global taxation.

## Why is global taxation proposed and what is its intended use?

Those who suggest global taxation offer it as an alternative or additional source of funding for use in addressing various world problems before the United Nations, including development assistance needs, peacekeeping and conflict resolution, or abatement of environmental degradation. Official development assistance, ODA, the source of governmental voluntary contributions, has over the past several years, continued a downward trend and many believe that ODA was never sufficient to respond to major world problems. In September 2000, the U.N. General Assembly adopted a Millennium Declaration in which it set a series of eight goals, called the Millennium Development Goals, to be achieved by 2015.<sup>1</sup> Various sources suggest

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<sup>1</sup> United Nations General Assembly Resolution 55/2, adopted September 8, 2000. These goals, listed in part III of the resolution, on *Development and poverty eradication*, can be summarized as follows: to halve, by 2015, the proportion of the world’s people whose daily income is less than \$1, those who suffer from hunger, and those who are unable to reach or to afford safe drinking water; to ensure that, by 2015, all children complete primary (continued...)

that an additional \$50 billion of ODA would be needed annually to enable worldwide achievement of these Goals.<sup>2</sup>

## **What arguments are used by those who oppose global taxation?**

Among the themes of those who oppose global taxation are the following. An international tax is an infringement of U.S. sovereignty and the sovereignty of all nation states that have sole jurisdiction to tax their citizens. Global taxation, under the United Nations, would be one more step toward transforming the United Nations from an intergovernmental international organization of sovereign nations to a world government, with global taxation giving it a source of funding that would make it independent of its member nations.

## **U.N. Secretary-General Boutros-Ghali Comments, January 1996**

### **Context and Proposals**

U.N. expenses are provided for in its regular budget which is adopted by the U.N. General Assembly, pursuant to Article 17 of the U.N. Charter. Each U.N. member State is obligated by the Charter to pay these expenses, as apportioned by the Assembly in its scale of assessments. According to U.N. financial regulations, payments to the U.N. regular budget and to other assessed accounts — peacekeeping, for example — are due within 30 days of receipt of the bill. Thus, payments for the U.N. regular budget are due in full by January 30 of each year. As of December 31, 1995, only 94 of the then 185 U.N. member States had paid in full their regular budget dues for calendar year 1995; 22 member States made no payments in 1995. As of December 31, 1995, unpaid assessed contributions totaled almost \$2.3 billion, as compared to \$1.78 billion, as of December 31, 1994. The \$2.3 billion included unpaid regular budget contributions of \$564 million and unpaid U.N. peacekeeping assessments of \$1.7 billion.<sup>3</sup> The failure of member States to fulfill their legal

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<sup>1</sup> (...continued)

schooling and that girls and boys have equal access to all levels of education; by 2015, to reduce maternal mortality by 3/4s and under-five child mortality by 2/3s of current rates; by 2015, to halt and start to reverse the spread of HIV/AIDS, malaria and other major diseases; and, by 2020, to improve significantly the lives of at least 100 million slum dwellers.

<sup>2</sup> See Zedillo Panel (High-level Panel on Financing for Development) report, U.N. Document A/55/1000, p. 20, 49-51, 72.

<sup>3</sup> This data was presented by United Nations Under Secretary-General for Administration and Management Joseph E. Connor on February 5, 1996. His statement may be found at [<http://www.globalpolicy.org/finance/docs/connor1.htm>].

obligations resulted in a cash flow shortage and a financial crisis for the United Nations.<sup>4</sup>

It was in this context of what appeared to be a perpetual financial crisis facing the United Nations that then Secretary-General Boutros Boutros-Ghali, in the Cyril Foster Lecture at Oxford University on January 15, 1996,<sup>5</sup> and in a prior radio interview with the BBC,<sup>6</sup> urged member nations to consider a number of supplemental funding mechanisms, including an international tax.

In his Oxford Lecture, Boutros-Ghali raised a series of options member countries could consider to improve the U.N.'s financial situation: a fee on speculative international financial transactions; a levy on fossil fuel use (or its resulting pollution); a small set-aside of the anticipated decline in world military expenditures; use of some resources released by the elimination of unnecessary economic subsidies; a stamp tax on international travel and travel documents; and a levy on global currency transactions. The Secretary-General did not advocate any particular measure, noting that "decisions are for the Member States to take."<sup>7</sup> He did remark, however, in the BBC interview that an advantage of generating revenues through a tax would be to give the United Nations some financial independence so that it was not "under the daily financial will of the Member States."<sup>8</sup>

Proposals for supplemental sources of income for the United Nations, including taxes, were not new. While the magnitude of the 1995-96 crisis at the United Nations was unprecedented, the organization had experienced recurrent financial difficulties over its history. Numerous proposals to address the funding problem had been made by academics, government leaders, U.N. commissions, and others. During the U.N. 50th anniversary celebrations in the fall of 1995, several world leaders argued that the U.N. financial crisis made supplemental financing methods unavoidable.

One of the earliest proposals, and one which is frequently revived, was a tax on foreign exchange transactions. This was originally recommended by Nobel prizewinner James Tobin of Yale University as a way to dampen speculation and

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<sup>4</sup> For background information on financing the United Nations, see Cleveland, Harlan, Hazel Henderson and Inge Kaul, editors. "The United Nations at Fifty; Policy and Financing Alternatives." *Futures*, Vol. 27, No. 2, March 1995; and Stoessinger, John G. and Associates. *Financing the United Nations System*. Washington, D.C., Brookings Institution, 1964. (Esp. Chaps. 10-12.)

<sup>5</sup> Boutros-Ghali, Boutros. *Secretary-General, in Lecture at Oxford, Speaks of Globalization, Fragmentation and Consequent Responsibilities on UN*. To be delivered on January 15, 1996. United Nations Press Release SG/SM/5870/Rev.1.

<sup>6</sup> B.B.C. Radio 4, "The Today Programme" interview with the Secretary-General, 6:45 p.m., Sunday January 14, 1996.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

market volatility.<sup>9</sup> Tobin noted that the tax could generate vast revenues which could be used for international development. A similar proposal, made by historian Ruben Mendez of New York University, was to establish a computerized global Foreign Currency Exchange.<sup>10</sup> Even with extremely small fees or taxes, the revenue potential, it was argued, would be extremely large due to the volume of transactions. Other proposals have included a tax on internationally traded commodities and a tax on exploitation of deep seabed minerals, both discussed in a Brookings Institution study.<sup>11</sup> Some have also suggested an international tax on stamps and airline travel.

## U.S. Reaction

Immediately following the comments by Secretary-General Boutros-Ghali, U.S. officials and Members of Congress issued sharp statements opposing the concept of an international tax. State Department press spokesman Nicholas Burns said on January 19, 1996, that the United States “does not support any form of worldwide tax to support the United Nations.” He also noted that the United Nations has no authority to impose such a tax and that the United States would object to the organization seeking such authority.<sup>12</sup>

Lawmakers also strongly criticized the idea. Senators Dole, Helms, and Gregg announced January 22, 1996, that they had asked the General Accounting Office (GAO) to examine the “legal, financial, and policy implications of independent revenue-raising authority” by the United Nations. In its November 8, 1996, response,<sup>13</sup> the GAO made the following major findings:

The United Nations receives only a small part of its financial support from private sources. U.N. operations are funded primarily from three sources: regular budget assessments, special assessments for peacekeeping missions, and voluntary contributions funded by member governments. \*\*\* In addition, the United Nations has on two occasions borrowed funds from member states.<sup>14</sup>

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<sup>9</sup> Tobin, James. “A Proposal for International Monetary Reform.” Presidential Address to the Eastern Economic Association, published in *Eastern Economic Journal*, 4, 1978, cited in Felix, David. “The Tobin Tax Proposal. Background, Issues and Prospects.” *Futures*, Vol. 27, No. 2, March 1995, pp. 195-208. James Tobin died on March 11, 2002.

<sup>10</sup> Mendez, Ruben. “Paying for Peace and Development.” *Foreign Policy*, No. 100, Fall 1995, pp. 19-32.

<sup>11</sup> Steinberg, Eleanor B. and Joseph A. Yeager. *New Means of Financing International Needs*. Washington D.C., Brookings Institution, 1978.

<sup>12</sup> U.S. Department of State, Daily Press Briefing, Friday, January 19, 1996. Office of the Spokesman. Briefer: Nicholas Burns.

<sup>13</sup> U.S. General Accounting Office. *United Nations; Status of Alternative Revenue Raising Proposals. Report to Congressional Requesters*. November 8, 1996. Washington, G.A.O., 1996. “GAO/NSIAD-97-31”

<sup>14</sup> This occurred, as authorized by the General Assembly, in 1947 (the U.N. Headquarters Loan from the United States) and in 1961 (U.N. bonds purchased by member States to fund peacekeeping costs). Congress authorized U.S. participation in each action.

Because the United Nations is an organization of sovereign states with no independent power of its own, it has no authority to impose taxes within the jurisdictions of its member states. Granting such authority would, at a minimum, require an amendment to the U.N. Charter. ... The official position of the U.S. government is that it would veto any proposal to amend the U.N. Charter for this purpose. In early 1996, the United States and 77 other countries said that they would consider only voluntary funding approaches for the United Nations.<sup>15</sup>

Alternative revenue-raising ideas have been solicited within the U.N. system. However, no formal proposals have been made.<sup>16,17</sup>

Senators Dole and Helms (S. 1519) and Representative Solomon (H.R. 2867) introduced identical bills in the 104th Congress that would bar the United States from making any assessed or voluntary U.N. payments if the United Nations attempted to impose taxes or fees on any U.S. persons. The legislation would delay U.S. contributions until the President certified that such payments are not used to “develop, advocate, promote, or publicize” any proposal concerning taxation.

As revised and enacted in an omnibus spending measure, Congress stipulated that no funds may be provided from the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1997, for U.S. **voluntary** contributions to the United Nations, including the U.N. Development Program (UNDP), if the United Nations “implements or imposes any taxation” on any U.S. national or corporation. Further, U.S. voluntary contributions to the United Nations, including the UNDP, may not be paid until the President certifies, 15 days in advance, that the United Nations “is not engaged in any effort to implement or impose any taxation ... in order to raise revenue for the United Nations or any of its specialized agencies.”<sup>18</sup> This

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<sup>15</sup> The Security Council does not vote on Charter amendments. Article 108 of the U.N. Charter on Amendments does not require Security Council recommendation of a proposed amendment prior to its consideration by the General Assembly. Instead, after an amendment is adopted by a two-thirds vote of the Assembly, its entry into force requires ratification by two-thirds of the entire U.N. membership, including all five permanent Council members. The effect of that requirement might be considered the equivalent of a veto, but not as a formal Council vote.

<sup>16</sup> Discussion in a July 1996 meeting of the U.N. Economic and Social Council on “new and innovative ideas for generating funds” dealt primarily with funding sources for development purposes. The resulting resolution (E/RES/1996/48, July 26, 1996) emphasized that new and innovative funding should be distinct from funding the U.N. regular budget and peacekeeping budgets and recognized that “the authority to levy taxes is the prerogative of sovereign States.” This concept of “new and innovative ideas” was on the agenda for a “high-level international intergovernmental event on financing for development,” which was the precursor for the International Conference on Financing for Development, held in March 2002 in Monterrey, Mexico. See later in this report.

<sup>17</sup> These three paragraphs are from the above cited GAO report, p. 2. The footnotes to these paragraphs are added by the CRS author.

<sup>18</sup> Foreign Operations Appropriations, 1997. Section 581. Restrictions on Voluntary Contributions to United Nations Agencies. In P.L. 104-208, Omnibus Consolidated Appropriations Act 1997.



provision has been enacted in each successive Foreign Operations Appropriations Act (for FY1998, FY1999, FY 2000, FY2001, and FY2002).

Congress did not attach similar restrictions to assessed U.N. payments, as envisioned in the original Dole/Helms and Solomon bills. In late 1999, however, Congress passed legislation authorizing U.S. repayment of arrears on its assessed contributions to the U.N. regular budget and to U.N. peacekeeping operations accounts, after certain conditions had been certified. Among the conditions to be met was a requirement for certification that

(B) No Taxes or Fees.— ... a tax or fee has not been imposed on any United States national by the United Nations or any of its specialized or affiliated agencies.

(C) No Taxation Proposals.— ... neither the United Nations nor any of its specialized or affiliated agencies has, on or after October 1, 1996, officially approved any formal effort to develop, advocate, or promote any proposal concerning the imposition of a tax or fee on any United States national in order to raise revenue for the United Nations or any such agency.

(113 Stat. 1501 A-479; Section 921 (a)(3) of H.R. 3427 in P.L. 106-113, Appendix G)

## **U.N. Development Program *Human Development Report 1999***

### **Background and Context**

On July 12, 1999, the United Nations Development Program (UNDP) released the tenth edition of its *Human Development Report 1999* (HDR).<sup>19</sup> Focusing on the impact of globalization on human development around the world, the report's authors presented their view of the world and its problems and offered recommendations for responding to these problems. Among the recommendations included in the report was one for "a small tax on the amount of data sent through Internet" or a "bit tax" as a potential source of supplemental funding to provide access to the Internet in countries where such access is limited. This proposal raised concerns in the United States over the possible intrusive actions of an international organization.<sup>20</sup>

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<sup>19</sup> *Human Development Report 1999*. Published for the United Nations Development Program by Oxford University Press, New York, 1999. 262 p. Available on the Internet at [<http://www.undp.org/hdro>].

<sup>20</sup> Earlier in 1999, email messages warned of an alleged U.S. Postal Service (USPS) plan to tax email messages. According to a May 21, 1999 USPS press release, a "completely false rumor...claimed that a 'Congressman Schnell' has introduced 'Bill 602P' to allow the federal government to impose a 5-cent surcharge on each e-mail message delivered over the Internet. The money would be collected by Internet Service Providers and then turned over to the Postal Service." The press release continued, "no such proposed legislation exists. In fact, no 'Congressman Schnell' exists. The U.S. Postal Service has no authority to surcharge email messages...nor would it support such legislation." This allegation is still being circulated in 2002.

The HDR report, produced by a group external to the UNDP, was and still is meant to generate discussion of the cited problems and to offer recommendations. It includes language after the Foreword indicating that the “analysis and policy recommendations ... do not necessarily reflect the views of the United Nations Development Programme, its Executive Board or its Member States. The Report is the fruit of a collaborative effort by a team of eminent consultants and advisers and the Human Development Report team.”<sup>21</sup> In addition, it is published and sold by a private publisher, not by the UNDP.

## The Proposals

Chapter 2 of the 1999 HRD discussed “new technologies and the global race for knowledge,” and stated that

There is an urgent need to find the resources to fund the global communications revolution — to ensure that it is truly global. One proposal is a “bit tax” — a very small tax on the amount of data sent through the Internet. The costs for users would be negligible: sending 100 emails a day, each containing a 10-kilobyte document (a very long one), would raise a tax of just 1 cent. Yet with email booming worldwide, the total would be substantial. In Belgium in 1998, such a tax would have yielded \$10 billion. Globally in 1996, it would have yielded \$70 billion — more than total official development assistance that year.<sup>22</sup>

Elsewhere in the report, references to other forms of global taxation as a source of development funding can be found. Later in Chapter 2, the authors discuss other technological innovations that would improve human development. They suggest a “levy on patents registered under the World Intellectual Property Organization” as one possible source of funding for such efforts. They continue, a “levy of just \$100 on each patent would have raised \$350 million in 1998 alone .... Alternatively, funding could be reallocated from the research subsidies, grants and tax breaks now given to industry.”<sup>23</sup>

Chapter 5, on “reinventing global governance — for humanity and equity,” argues that “private investment flows are important, but experience shows two major problems. First is their volatility .... Second is the tendency for foreign direct investment to be concentrated in a small number of developing countries.” The authors then list “several possible ways to generate ... additional revenues:

- Mobilize resources as a by-product of revenues raised from polluter-pays charges on global pollution.
- Charge rents or royalties on the use of such “global commons” as under-seabed mineral resources or radio waves.
- Introduce taxes on such items as international air tickets.

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<sup>21</sup> *Human Development Report 2001*, p. iv. See [<http://www.undp.org/hdr2001>]. For past reports, see [<http://www.undp.org/hdro/general/past.htm>].

<sup>22</sup> *The Human Development Report 1999*, p. 66.

<sup>23</sup> *The Human Development Report 1999*, p. 74.

- Implement the Tobin tax proposal — to levy a charge on short-term financial movements and restrain volatile flows of short-term finance. Some of the proceeds could be invested in poor countries.
- Blend concessional finance with private lending and make the proceeds available as a third-window for middle income countries.”<sup>24</sup>

The Human Development Report 1994 had also discussed the possibility of a “global human security fund” financed through a “set of fees on globally important transactions or polluting emissions.” A tax on the international movements of speculative capital, or the Tobin tax, had also been recommended.<sup>25</sup> No such fees or taxes were ever established. In addition to the fact that the recommendations made in these reports did not represent the positions of either the UNDP or of governments, the United Nations, on its own, does not have the authority to introduce taxes or set fees of the type referred to above. The United Nations is not a world government. Any actions of this type would require agreement by the U.N. membership.

## **U.N. Response and U.S. Reaction**

Shortly after the Human Development Report 1999 was released, the UNDP Administrator issued a statement that the

UNDP, as a matter of policy, neither advocates nor supports any so-called global tax, nor any other form of international levy, as a means of funding development aid. UNDP is not engaged now, nor does it plan to engage in the future, in any activity to implement or impose such taxation schemes on any person or group. Neither the United Nations nor UNDP has the mandate or power to create or administer any system of global taxation.<sup>26</sup>

On July 21, 1999, the State Department described U.S. policy as being “opposed to any form of global taxation imposed by the UN or any other international organization.” The release included a letter from Assistant Secretary for International Organization Affairs to the UNDP Administrator, on July 16, and the Administrator’s response.<sup>27</sup>

On July 22, 1999, the Senate included in S. 1217, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act for FY2000, an amendment introduced by Senator Gregg: “None of the funds appropriated or otherwise made available in this Act for the United Nations may be used by the United Nations for the promulgation or enforcement of any treaty, resolution, or regulation authorizing the United Nations, or any of its specialized

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<sup>24</sup> The *Human Development Report 1999*, p. 113.

<sup>25</sup> The *Human Development Report 1994*, p. 9, 69-79.

<sup>26</sup> See the statement by Administrator Mark Mallock Brown on the UNDP web page at [<http://www.undp.org/dpa/statements/administ/1999/July/14july99.html>].

<sup>27</sup> U.N.’s 1999 Human Development Report Raises International Tax Proposal. See text on the web at [[http://www.state.gov/www/issues/un\\_internettax\\_9907.html](http://www.state.gov/www/issues/un_internettax_9907.html)].

agencies or affiliated organizations, to tax any aspect of the Internet.” This language was incorporated as section 406 of the State Department Appropriations Act, Fiscal Year 2000, which was signed on November 29, 1999 (Consolidated appropriations bill, P.L. 106-113).

## **International Conference on Financing for Development, 2002**

### **Context and Background**

Some observers directed their attention to the U.N.-sponsored International Conference on Financing for Development, held in Monterrey, Mexico, March 18-22, 2002, as the source and venue for discussions within the United Nations aimed at creating a global tax or an international tax organization.<sup>28</sup> While the Monterrey Consensus, the “outcome” document for this meeting, does not refer specifically to taxation proposals, it does include the following language:

44. We recognize the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries. In that regard, we agree to study, in the appropriate forums, the results of the analysis requested from the Secretary-General on possible innovative sources of finance ....<sup>29</sup>

The phrase, “innovative sources of finance” is believed to be “short-hand” for a discussion of various global taxation proposals or vehicles. As early as 1996, initial discussions for this meeting within the U.N. Economic and Social Council included references to various global taxation vehicles under the heading: “new and innovative ideas” for generating funding for development. As preparations for the international meeting on financing for development evolved from an “event” to a full-fledged United Nations conference, interest in this issue continued.

In December 2000, U.N. Secretary-General Kofi Annan appointed a High-Level Panel on Financing for Development, to “recommend strategies for the mobilization of resources required to accelerate equitable and sustainable growth in developing countries as well as economies in transition, and to fulfil the poverty and development commitments enshrined in the United Nations Millennium Declaration” adopted by the General Assembly in September 2000. In June 2001, this 11-member

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<sup>28</sup> American Policy Center, at [<http://americanpolicy.org/un>], carried at least three articles at this web address just before the meeting convened: DeWeese, Tom. “Kofi Annan: UN Tax Consultant,” March 13, 2002; Henry Lamb. “Global Taxation Moves Closer,” March 13, 2002; and Alan Caruba, “Slaves of the United Nations: Their Most Dangerous Meeting Ever!” See also, Mitchell, Daniel. “U.N. tax police potential.” *Washington Times*, February 7, 2002; U.N. response: “U.N. isn’t pushing global taxes.” *Washington Times*, February 14, 2002. Letter to the editor by Edward Mortimer; and North, Oliver. “Global tax man cometh.” *Washington Times*, January 20, 2002; U.N. response: “Global tax bogeyman.” *Washington Times*, January 25, 2002, Letter to the editor by Edward Mortimer.

<sup>29</sup> Final Outcome of the International Conference on Financing for Development. The Monterrey Consensus. Paragraph 44, p. 11 (U.N. document A/CONF. 198/3)

Panel, chaired by Ernesto Zedillo, former President of Mexico, issued a 72-page document consisting of an Executive Summary, Recommendations of the High-level Panel, and Technical Report of the High-level Panel.<sup>30</sup> Under the heading, “Innovative sources of financing,” the report noted that

The Panel has considered many suggestions for innovative sources of finance. We believe the International Conference on Financing for Development and the Globalization Summit [recommended by the Panel] should first discuss whether or not the world should have global, and not only sovereign, imposition of taxes. Next, if global taxation is considered desirable, they should proceed to discuss seriously the pros and cons of two such sources: a currency transactions tax [Tobin tax] and a carbon tax. We advise that before any political discussion, these possible new sources of international finance be examined purely on their economic and development merits and shortcomings.<sup>31</sup>

The Panel also recommended that the Conference “consider the potential benefits of an International Tax Organization (ITO)” to, among other tasks, “compile statistics, identify trends,” “maintain surveillance of tax developments,” “take a lead role in restraining tax competition designed to attract multinationals with excessive and unwise incentives,” and “perhaps ... in due course, seek to develop international agreement on a formula for the unitary taxation of multinationals.”<sup>32</sup> They suggested that “an ITO would also be of great importance in developing and implementing innovative sources of finance if they were agreed upon by the international community.”

Finally, in September 2001, the U.N. Secretariat issued a series of ten Technical Notes in response to a request by the Conference Preparatory Committee, which instructed that these notes be “related to issues falling under the substantive agenda for the Conference” and “consist of the factual, concise listing of existing proposals in a given topic” and “not ... contain any analysis, comparisons, judgements or recommendations.”<sup>33</sup> Two of the ten topics, chosen in consultation with the Preparatory Committee, dealt with taxation issues:

1. Existing proposals for enhanced international cooperation on tax matters.
3. Existing proposals for innovative sources of finance.

## Response

While little, if any, public reaction from U.S. Administration officials to these proposals was visible before the Conference started, it was clear that U.S. efforts during private negotiations on the Monterrey Consensus had been successful in removing specific references to global taxation from the draft. The only pre-Conference public reaction in the United States came from “conservative” columnists

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<sup>30</sup> United Nations document A/55/1000.

<sup>31</sup> A/55/1000, page 26.

<sup>32</sup> A/55/1000, page 27-28.

<sup>33</sup> United Nations document A/AC.257/27, p.1.

and sources that saw imposition of global taxation as a definite goal of the conference and who believed this to be part of an overall effort within and by the United Nations and its “bureaucrats” to diminish the sovereignty of U.N. member states. United Nations officials responded to some of these pre-conference columns, noting that

the United Nations is not about to start collecting global taxes. No U.N. intergovernmental body or conference has ever called for or endorsed an internationally levied tax, and it is highly unlikely that the International Conference on Financing for Development ... will do so.

Nor is an international tax organization to help all countries improve their national taxation systems considered in the draft document for the conference.<sup>34</sup>

AND

the United Nations is not about to create an International Tax Organization or impose global taxes. The document that is likely to be adopted at the International Conference on Financing for Development ... contains no suggestion of such a thing. \*\*\* this draft text is written, negotiated and agreed upon by the member states (including the United States) – not by U.N. staff members.

Member states also are responsible for requesting a study on possible innovative sources of finance. This was a request to the secretary-general – not by the secretary-general. To date, no U.N. intergovernmental body or conference has ever endorsed or called for an internationally levied tax.<sup>35</sup>

On March 19, 2002, after the Conference had convened, Vicente Fox, President of Mexico, the host government for the meeting, in an OpEd in the *Washington Post* on the Conference, noted that

As a steppingstone on the path toward development for all, Monterrey should allow us to move closer to new and more far-reaching goals, including some proposals that didn’t make the radar screen this time. For example, global taxes such as the one proposed on carbon emissions could be used to finance global public goods. This is based on a simple premise: fairness. The industrialized countries that generate a disproportionate share of carbon emissions into the atmosphere should pay accordingly, providing money for development and also a more efficient use of scarce resources.<sup>36</sup>

The same day, State Department spokesman Richard Boucher, during the noon briefing, in response to a question as to “whether the United States Government approves of such a plan and endorses it [the Fox referenced global tax on carbon emissions]” or any global tax plan, responded, “The US Government has seen these kinds of proposals from time to time in the past, going over many administrations, and I don’t remember any of these that the US Government supported, frankly.”

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<sup>34</sup> Mortimer, Edward. “Global tax bogeyman,” *Washington Times*, January 25, 2002: A20.

<sup>35</sup> Mortimer, Edward. “U.N. isn’t pushing global taxes,” *Washington Times*, February 14, 2002.

<sup>36</sup> Fox, Vicente. “Monterrey: A Turning Point,” *Washington Post*, March 19, 2002: A21.

## **Congress and Global Taxation Proposals – Current Law**

Provisions in law opposing global taxation and prohibiting the imposition of such are found in three pieces of legislation, two of which are appropriations bills – Foreign Operations Appropriations Act, State Department Appropriations Act (part of Departments of Justice, Commerce, and State Appropriations Act), and the Helms-Biden conditions in the United Nations Reform Act of 1999. Once enacted, the relevant provision has been specifically included in each succeeding appropriations act.

### **Foreign Operations Appropriations Act**

In 1996, Congress stipulated in the FY1997 Foreign Operations Appropriations Act that no funds may be provided from that Act for U.S. voluntary contributions to the United Nations, including the U.N. Development Program, if the United Nations “implements or imposes any taxation on any U.S. national or corporation.” This provision was added in response to remarks made by then U.N. Secretary-General Boutros Boutros-Ghali suggesting U.N. Member States explore the possibility of a global tax to improve the financial situation of the United Nations. Congress has continued this provision annually in the Foreign Operations Act.

The full text of the provision in the most recently passed Act (P.L. 107-115 (H.R. 2506), January 10, 2002) follows.

Restrictions on Voluntary Contributions to United Nations Agencies.

Section 553. (a) Prohibition on Voluntary Contributions for the United Nations. — None of the funds appropriated by this Act may be made available to pay any voluntary contribution of the United States to the United Nations (including the United Nations Development Program) if the United Nations implements or imposes any taxation on any United States persons.

(b) Certification Required For Disbursement of Funds. — None of the funds appropriated by this Act may be made available to pay any voluntary contribution of the United States to the United Nations (including the United Nations Development Program) unless the President certifies to the Congress 15 days in advance of such payment that the United Nations is not engaged in any effort to implement or impose any taxation on United States persons in order to raise revenue for the United Nations or any of its specialized agencies.

(c) Definitions. — As used in this section the term “United States person” refers to —

- (1) a natural person who is a citizen or national of the United States; or
- (2) a corporation, partnership, or other legal entity organized under the United States or any state, territory, possession, or district of the United States.<sup>37</sup>

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<sup>37</sup> Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, P.L. 107-115 (H.R. 2506), approved January 10, 2002.

## Department of State Appropriations Act

On July 22, 1999, the Senate included in S. 1217, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act for FY2000, an amendment introduced by Senator Gregg: “None of the funds appropriated or otherwise made available in this Act for the United Nations may be used by the United Nations for the promulgation or enforcement of any treaty, resolution, or regulation authorizing the United Nations, or any of its specialized agencies or affiliated organizations, to tax any aspect of the Internet.” This provision was added in response to language in the *Human Development Report 1999*, suggesting a “small tax on the amount of data sent through Internet.” It was enacted in the Consolidated Appropriations Act for Fiscal Year 2000, P.L. 106-113 (H.R. 3194), November 29, 1999.

The full text of the most recent enacted provision, in P.L. 107-77 (H.R. 2500), November 28, 2001, follows.

Section 404. Hereafter, none of the funds appropriated or otherwise made available for the United Nations may be used by the United Nations for the promulgation or enforcement of any treaty, resolution, or regulation authorizing the United Nations, or any of its specialized agencies or affiliated organizations, to tax any aspect of the Internet or international currency transactions.

## United Nations Reform Act of 1999

In late 1999, Congress passed legislation, the United Nations Reform Act of 1999, authorizing U.S. repayment of arrears on its assessed contributions to the U.N. regular budget and to U.N. peacekeeping operations accounts, after certain conditions had been certified. Among the conditions to be met was a requirement for certification that

(B) No Taxes or Fees.— ... a tax or fee has not been imposed on any United States national by the United Nations or any of its specialized or affiliated agencies.

(C) No Taxation Proposals.— ... neither the United Nations nor any of its specialized or affiliated agencies has, on or after October 1, 1996, officially approved any formal effort to develop, advocate, or promote any proposal concerning the imposition of a tax or fee on any United States national in order to raise revenue for the United Nations or any such agency.

(113 Stat. 1501 A-479; Section 921 (a)(3) of H.R. 3427 in P.L. 106-113, Appendix G)