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by Johnathan Rickman

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On the eve of his recent appearance at the G-8 summit in St. Petersburg, Russia, U.S. President George W. Bush received a letter from the Republican Senate leadership asking him to draft a statement opposing the promotion of a global tax system. The July 13 letter urged Bush to "make it clear . . . that the U.S. will actively resist and oppose this ominous trend in international affairs and foreign relations."

"The world will not be served by creating new international bureaucracies and financing them through global taxes and other so-called 'innovate sources' of funding," the letter said. Signatories included Senate Majority Leader William H. Frist, R-Tennessee; Assistant Majority Leader Mitch McConnell, R-Kentucky; and Senators Jon Kyl, R-Arizona; Rick Santorum, R-Pennsylvania; Kay Bailey Hutchison, R-Texas; Elizabeth Dole, R-North Carolina; and James M. Inhofe, R-Oklahoma.

Bush never drafted the requested statement. He didn't need to.

The letter was intended to pressure the United Nations, which has emerged as a key player in the debate over global taxes. The senators point to a 2004 U.N. policy brief, "New Sources of Development Financing: Funding the Millennium Development Goals," that proposes a global tax on carbon-emitting fossil fuels, including gasoline.[1]

With oil prices soaring and midterm elections looming, it should come as no surprise that U.S. politicians hold a dim view of hitting their constituents with additional gas taxes. But the issue goes beyond economics or pandering for votes. As we'll see, the role of the United Nations in the tax policy debate is itself controversial.

The First Seeds

Ever since Nobel Memorial Prize-winning economist James Tobin first called for a modest tax on foreign currency exchange transactions in 1972, interest in a global tax system has continued to grow. Tobin's initial objective was to discourage excessive currency speculation during periods of market volatility. Raising revenue was a secondary concern. (For prior coverage, see *Tax Notes Int'l*, July 4, 2005, p. 43.)

More recent advocates of a global tax system have focused on a different set of goals. They are less concerned with the stability of financial markets and more interested in raising funds for various public health, poverty reduction, or environmental causes. Viewed in this light, the concept of global taxation lends itself nicely to furthering the Millennium Development Goals (MDG). As set out at the U.N. Millennium Summit in 2000, the MDGs embody specific social welfare objectives that participating governments are committed to achieving by 2015.[2]

The problem, of course, is how to pay for such ambitious spending programs. Economist Jeffrey Sachs, director of Columbia University's Earth Institute and special U.N. adviser on MDGs, has

[1]Strictly speaking, the policy brief referenced in the senators' letter was not prepared by the United Nations. The document resulted from a joint project of the United Nations University World Institute for Development Economics Research (UNU-WIDER) and the United Nations Department of Economics and Social Affairs (UN-DESA), directed by Professor A.B. Atkinson of Nuffield College, Oxford University.

[2]The eight MDGs are to: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development.

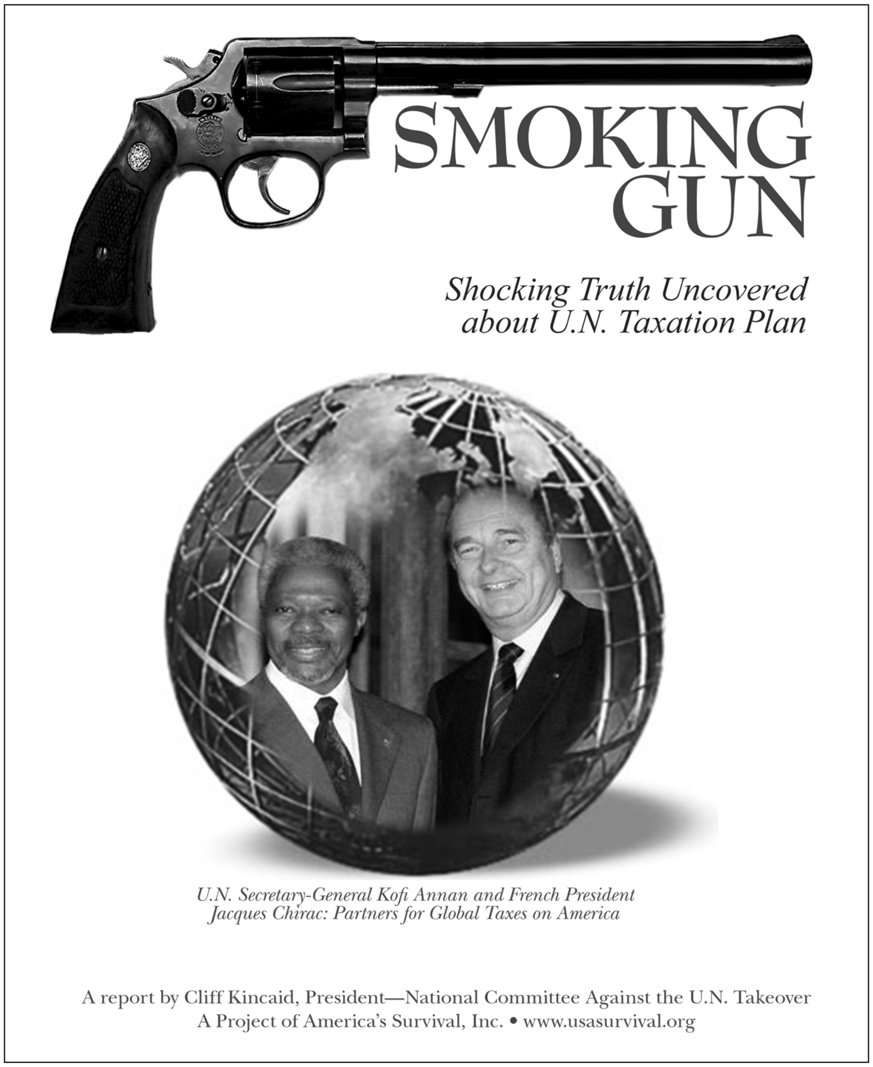

Photo courtesy of America's Survival, Inc.

calculated that wealthy donor-nations must contribute 0.7 percent of gross national product for the MDGs to have a chance of succeeding. Sachs writes in his best-selling book, *The End of Poverty,* that current U.S. spending on MDGs is 0.15 percent of GNP.

The need for alternate sources of financing is clear, and global taxation seems to be the first place people turn. The following developments illustrate the trend:

- At the 2001 EU Council of Economic and Finance Ministers meetings in Brussels, EU finance ministers pushed for the adoption of a Tobin tax on foreign exchange transfers, projecting revenue of US $13 trillion for MDGs.
- In 2004 France and Belgium separately adopted a variation of the Tobin tax — a currency transaction tax (CTT) — to raise money for the European Union's Third World development fund; the laws will not become effective until parallel measures are enacted in other EU member states. The governments project that the CTT could raise US $50 billion per year for MDGs.
- In January 2004 Brazilian President Luis Inácio Lula da Silva joined French President Jacques Chirac in establishing a multilateral working group on "innovative financing mechanisms" to support MDGs; U.N. Secretary General Kofi Annan endorsed the creation of the "Lula" working group.
- Later in 2004 the Lula group proposed a tax on arms trading and persuaded 100 nations to endorse the "New York Declaration" on innovative financing for MDGs.
- In 2005 the United Nations hosted the Millennium +5 Summit, at which the Lula group issued a report criticizing the current MDG spending as inadequate and called for a global tax on airplane tickets to support MDGs; 66 nations endorsed the report.
- At the 2005 G-8 summit in Gleneagles, Scotland, Chirac renewed calls for a global airline ticket tax and won support from several G-8 leaders. (For prior coverage, see *Tax Notes Int'l,* Aug. 1, 2005, p. 404.)
- France moved forward with plans to introduce an airline ticket tax domestically. (For prior coverage, see *Tax Notes Int'l*, Sept. 5, 2005, p. 900.) The French airline ticket tax became effective January 1, 2006.
- In March 2006 an alliance of 12 nations — Brazil, Chile, Congo, Cyprus, the Ivory Coast, Jordan, Luxembourg, Madagascar, Mauritius, Nicaragua, Norway, and the United Kingdom — agreed to adopt similar

proposals. (For prior coverage, see *Tax Notes Int'l*, Mar. 13, 2006, p. 854.)

A Smoking Gun?

The opposition to global taxation has grown in equal proportion to the interest. Opponents warn that the schemes threaten to undermine democratic institutions, infringe on the sovereignty of nations, and unfairly squeeze overburdened taxpayers. Those critics see global taxation as questionable tax policy at best, and an underhanded movement toward world government at worst.

One of global taxation's biggest opponents is Cliff Kincaid, president of America's Survival Inc., which recently published "Smoking Gun: Shocking Truth Uncovered About U.N. Taxation Plan," a report that purports to expose those who would "extract trillions of dollars from the American people" through global tax schemes.

In his report, Kincaid also cites the Atkinson paper as an example of U.N. support for global taxation and claims such a tax would violate the Helms-Biden Act, which became law in 1999 (P.L. 106-113).

The law certified that "neither the United Nations nor any of its specialized or affiliated agencies" may approve 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."

However, the U.S. State Department views the Helms-Biden Act as having lapsed after fulfilling its basic condition of paying U.S. back debts to the United Nations, Kincaid told Tax Analysts.

"The wording of the law doesn't suggest it would ever expire," Kincaid said. "The plain reading of the bill is that the restrictions on the United Nations continue and are to be applied indefinitely into the future."

Lawmakers sympathetic to Kincaid's view are taking no chances, however, and have moved to fill the void left by Helms-Biden. Inhofe on July 11 introduced S. 3633, the Protection Against United Nations Taxation Act of 2006 (also known as the Helms-Biden Reauthorization Act of 2006), which would withhold 20 percent of assessed contributions to the United Nations and other international organizations until assurances are made that the organizations are not promoting a global tax.

It's a familiar theme. The U.S. House of Representatives in a voice vote on July 19, 2005, approved an amendment to the Foreign Relations Authorization Act for fiscal 2006 and 2007 to prevent the enactment of any international tax by requiring the U.S. representative to all U.N.-affiliated bodies to oppose all efforts to levy the tax. The amendment was sponsored by House Majority Whip Roy Blunt, R-Missouri. (See *2005 WTD 139-15* or *Doc 2005-15376*.)

Another recent piece of legislation, H.R. 5522 — a foreign operations bill that passed the House of Representatives on June 9 — includes language to restrict funds appropriated by the bill for U.N. contributions "if the United Nations implements or imposes any taxation on any United States persons." The language, which was inserted by Representative Ron Paul, R-Texas, has a loophole that allows the U.N. to continue its promotion and advocacy of global taxes, Kincaid told Tax Analysts. "It's too late then."

"The main issue is the U.N. using our tax dollars to promote and advocate global taxes," Kincaid said. "The Inhofe bill attempts to stop that."

Not So Fast . . .

"There's been no real discussion at the United Nations on the matter," U.N. spokesman Ari Gaitanis told Tax Analysts. "While Annan has said in the past he is encouraged by proposed innovative sources of financing, the United Nations isn't leaning toward becoming a tax operation at all."

"We would rely on member states to address the issue," he said.

According to Katarina Wahlberg, social and economic policy program coordinator with Global Policy Forum in New York, the Republican Senate leadership's July 13 letter and the recent spate of anti-global-tax legislation "says something about not wanting the U.N. to be more independent."

"The United Nations couldn't impose a global tax on U.S. citizens without the U.S. government agreeing to it first," Wahlberg told Tax Analysts. "The U.N. is an intergovernmental organization, not a global one."

"The U.N. isn't really talking about international taxes. Most of the discussion on international taxes is taking place outside of the U.N.," Wahlberg said.

"The airline ticket tax was a pragmatic initiative designed to not pose a great challenge to those that oppose international taxes. Unlike proposed taxes on jet fuel or carbon emissions, this tax will be too small to promote an environmental cause," she said.

According to Wahlberg, how to police an international tax is considered a long-term challenge, whereas the short-term priority is simply to raise the issue of the tax and "break down the taboo" of discussing it. ◆

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