Order Code RS20288
August 2, 1999

CRS Report for Congress

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United Nations and Global Taxation: An Update of Proposals in 1999

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Summary

This CRS report focuses on the recommendations on global taxation as a source of revenue for development contained in the 1999 edition of the *Human Development Report* (HDR). Of particular concern in the HDR report released in July 1999 by the United Nations Development Program (UNDP) is the proposal to have a "bit tax" or a "small tax on the amount of data sent through Internet." While the UNDP released the report, it is written and produced by a group of external experts. UNDP states in the HDR that the "analysis and policy recommendations" do not reflect the views of the UNDP, its Executive Board or Member States. After the report was issued and in response to a great number of expressions of concern over the perceived efforts of the United Nations to impose a tax on Internet email, both the UNDP Administrator and the U.S. State Department issued statements of clarification expressing their opposition to such an interpretation and to such a tax. Congress, having enacted provisions against U.N. taxation proposals in the Foreign Operations Appropriations Act since the FY1997 Act, continued that language in S. 1234 and H.R. 2606, the FY2000 Foreign Operations Appropriations Act currently under consideration. Language specifically opposing U.N. efforts to tax Internet email was passed by the Senate in S.1217, Department of State Appropriations Act, FY2000. For additional information, see CRS Report 96-151F. This report will be updated as further legislative activity occurs.

Background and Context

On July 12, 1999, the United Nations Development Program (UNDP) released the tenth edition of its *Human Development Report 1999* (HDR).[1] Focusing on the impact of globalization on human development around the world, the report's authors present

[1] *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".

their view of the world and its problems and offer recommendations for responding to these problems. Among the recommendations included in the report is 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 has raised concerns in the United States over the possible intrusive actions of an international organization.[2]

The HDR report, produced by a group external to the UNDP, 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." In addition, it is published and sold by a private publisher, not by the UNDP.

The Proposals

Chapter 2 of the HRD discusses "new technologies and the global race for knowledge," and states 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.[3]

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."[4]

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[2] 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."

[3] The *Human Development Report 1999*, p. 66.

[4] The *Human Development Report 1999*, p. 74.

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.
- 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." [5]

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.[6] 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.[7]

The Response

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

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[5] The *Human Development Report 1999*, p. 113.

[6] The *Human Development Report 1994*, p. 9, 69-79.

[7] It should be noted that the U.N. General Assembly and U.N. Economic and Social Council have been discussing the issue of Financing for Development for a number of years. Under the heading, Innovative Sources of Financing, some references to international taxation as a potential source of new financing for development may be found. Currently under consideration is the convening of a summit, international conference, special session of the General Assembly, or other high-level international intergovernmental forum on financing for development not later than 2001.

person or group. Neither the United Nations nor UNDP has the mandate or power to create or administer any system of global taxation.[8]

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.[9]

Congress and Global Taxation Proposals

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. (See CRS Report 96-151 F, *U.N. Funding: Global Tax Proposals*, for background discussion also relevant to this report.) Congress has continued this provision in the Senate-passed version (S. 1234) and in the June 23 House committee version (H.R. 2606) of the Foreign Operations Act, FY2000. The full text of the provision follows:

> Restrictions on Voluntary Contributions to United Nations Agencies. Section 563. (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. [10]

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[8] 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".

[9] UN'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".

[10] Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999, in Section 101 (d) of Division A of Public Law 105-277, 112 Stat. 2681, approved October 21, 1998. On January 8, 1999, the State Department transmitted a certification "that the United Nations is not engaged in any effort to implement or impose any tax on United States persons in order to raise revenue for the United Nations or any of its specialized agencies."

Congress also included in H.R. 1757, the Foreign Affairs Reform and Restructuring Act of 1998, which the President vetoed on October 21, 1998, a requirement that neither the United Nations nor any specialized agency either tax or develop, advocate, or promote any proposal concerning the imposition of a tax on any U.S. national in order to raise revenue for the United Nations or any such agency. The Secretary of State was required to certify that this was the case before certain funds to satisfy U.S. arrears on its U.N. assessed accounts could be paid to the United Nations. (Section 2311 (a) (3)) The same provision was included in the Senate-passed S. 886, Department of State Authorization Act, Fiscal Years 2000-2001.

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."