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Global Governance and Humanitarian Assistance – Tithing the Transnational Arms Industry

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- ❖ Context: **underfunding of need in context of armed conflicts being ever greater (co-)source of humanitarian crisis**
 - In 2016, **402 conflicts** were ongoing, compared with 278 in 2006 (WHDT, 2017)
 - **\$7.8 billion in underfunding** of consolidated inter-agency appeals in 2016 (WHDT, 2017)

- ❖ Arms trade tax proposals over the last 35 years have tended to focus on connecting tax revenue to either development or peace-building
 - E.g. **Lula in 2008 at the G8 meeting** in Evian when he called for a **global hunger fund** and said: "There are many ways of gaining financial resources for such a fund. Taxes could be levied on the international arms trade: this would prove advantageous from both an economic and an ethical standpoint." (Burrows, "Arms and the Taxman", 2003. Support from Jacques Chirac and Kofi Annan.
 - E.g. "The financial volume of the arms trade can be estimated at about USD\$100 billion per year, so even a comparatively small tax, say **10 per cent, could cover all of the costs of UN Peacekeeping** (US \$7,8 billion for fiscal year 2016-2017) with quite some money to spare." (Broszka, "A Tax on the Arms Trade to Fund Peace Building", 2017)

- ❖ Proposal here is to create a **narrowed focus on humanitarian assistance funding via arms trade taxing/tithing**, which has development and peace-building elements but has an even tighter nexus to effects of arms production >> trade >> use
 - E.g.: in 2016, only **16%** of humanitarian assistance funding **requests for de-mining were met** (WHDT, 2017)
 - "In general, **an arms trade tax makes more sense as a measure for disarmament or the compensation of victims** than as a source of development finance." (Brzoska, *Taxation of arms trade*, 2001/2004)
 - Arms trade has **combined causal and moral links to humanitarian crises** such that we can consider a form of corrective justice (not just distributive justice) to be in play alongside deep pockets to tap into
 - \$100 billion in arms sales annually (Amnesty Int'l, *Killer facts*, 2015, quoting SIPRI data)
 - what I will call a **Global / Humanitarian Strife Tax (G/HST) of 8%** would yield the 2016 shortfall (\$7.8 billion)

❖ **Range of taxation possibilities**, none straightforward and all will be resisted tooth and nail, notably >>>: e.g.

1. **Excise taxes** (tax on manufacturers) **and/or transaction/sale taxes** (another sectoral version of Tobin Tax on global financial transactions) – one view > Landau Report to French President Chirac, 2004: “A tax on arms would have to be levied on all purchases -whether domestic or international – and implemented by all producing countries in the world to be morally significant and economically non-distortionary.”
2. **Globalized business tax**: direct taxes (including ‘just’ a surtax, while leaving rest of business-tax structure as is) on global corporate profits - **Landau report, 2004: “A surtax on the profits of multinationals could be seen as a normal counterpart to the benefits they derive from globalization.”**
3. **Import/export taxes on business or country “quasi-tax”** (levy by international institution on exporting state; note 88% of arms trade from the Security Council P5 countries of US, Russia, France, China and UK)

❖ Arms traders (which include considerable state ownership and investment), law firm/tax industry lobbyists are powerful and specific arms-trade-shielding countries like the Netherlands (the world’s leading tax haven for arms companies: top 6 of 10 based there) and also the P5 **will fight tooth and nail** against efforts

- Note how US Congress passed Helms-Biden law in 1999 to prohibit US funding of UN if any initiative to discuss global taxation
 - Yet, **“arms traders” are minimally sympathetic** if the right advocacy campaign is run and some leading state sponsors push for this

❖ Recent *Arms Trade Treaty* may create opening

- “Support for an arms trade tax (or further thinking on it) has so far been limited to prominent individuals, former politicians and expert commissions. **Although it does not seem to have been discussed in the negotiation process of the ATT, the treaty might provide new momentum for discussion of an arms trade tax.** However, as the ATT clearly distinguishes between legitimate and illegitimate international trade in arms (the latter is not permitted), **the link to the harmfulness of the transfers that have been licensed by governments is not immediately obvious. However, there are**

strong arguments for such a link, such as the later misuse of arms that had been delivered earlier under different circumstances, or through the retransfer of arms. The empirical foundation for these arguments could be made stronger through additional research." Brzoska, *Participant Reflection-Core Issues of An Arms Trade Tax*, 2017

- **Canada still has not signed let alone acceded;** Bill C-47 (2018) as implementing legislation at House committee stage
 - CADSI 2013 *Canadian Defence and Security Directory* of military companies has 322 pages of entries for 495 CADSI members

- ❖ Most radical may be a **direct business tax on global profits** (especially if a full tax versus a surtax)
 - Rixen, "The Case for Global Tax Governance," 2009 *Global Governance* = one of first major discussions in social science of **taxing MNEs as single global entities using the Unitary Taxation with Formula Apportionment (UT+FA) method** used to tax corporations that is used in some federations
 - Nature of multinational corporate activity and **tax minimization (aka: dodging/evading) strategies** through shell company structures, transfer pricing, etc
 - Produces overall **unfairly high profits and distribution of wealth to global affluent**
 - **Note e.g. Microsoft made \$12.3 billion in profits globally in 1999 but paid zero taxes:** Brock, G., 'International taxation', in S. Benatar and G. Brock, eds. *Global Health and Global Health Ethics* (Cambridge Univ. Press: Cambridge, 2011)
 - While DCs counter-act by spreading tax base to national small business and salaried workers, **special negative effect on revenues of LDCs:** Rixen, "The Case for Global Tax Governance"

- ❖ **Arms trade shares most of the features that warrant global business tax + there are special moral and causal reasons** why it deserves early attention as a source of dedicated funding for the victims of armed conflict and for associated humanitarian assistance
 - Includes evidence that 40% of costs of corruption globally are tied to arms trade: Broek, *Tax Evasion and Weapon Production* (Transnational Institute, 2016), citing SIPRI data

- ❖ Possible **Canada leadership** (or Canada-France-Brazil-Costa Rica) leadership under **OECD** rubric?
 - OECD functions as a sort of **tax policy and MNE governance think-tank** including on global tax, e.g. Organisation for Economic Co-operation and Development (OECD), *Financing Development: Aid and Beyond* (OECD: Paris, 2007), pp. 75–76.
 - Appeal to the **Canadian leadership on Ottawa anti-mines treaty**
 - **Trojan horse possibility**: some governments (especially the Nordics) may see this as right kind of beta/pilot for testing UT+FA global business tax writ large
 - including as one way to test how to divert money away from tax havens (that the arms trade uses *in extenso*: Broek, *Tax Evasion and Weapon Production* (Transnational Institute, 2016))

- ❖ **Alternative or precursor**: Can be started as a **moral suasion campaign, using evolving big-data and communications tools** to estimate what leading companies have made in profit and what either G/HST indirect-tax or direct-tax surtax could look like
 - Then, **humanitarian invoices** could be delivered to companies with transnational civil society mobilization (possibly with some brave UN OCHA partnering) to lobby for the requisite ‘voluntary’ donations to UN OCHA funds incl the Start Fund
 - In terms of data,
 - note e.g. that the 2016 Transnational Institute report showed Netherlands harbours 6 of the top 10 arms companies was generated using **Netherlands Chamber of Commerce data**
 - note SIPRI updates annually its **Arms Transfers Database**

Appendix

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