Introduction to United Nations Economic and Social Council

Economic and Social Council (hereinafter referred as ECOSOC or the Council) is one of the six main organs of the United Nations established by the Charter of the UN in 1946. It is the principal body for coordination, policy review, policy dialogue and recommendations on economic, social and environmental issues, as well as for implementation of the internationally agreed development goals. Also ECOSOC is the UN's largest and most complex subsidiary body. Therewithal, ECOSOC serves as the central mechanism for the activities of the United Nations organs, its specialized agencies, and supervises the subsidiary and expert bodies in the economic, social and environmental fields.

ECOSOC engages with a wide variety of stakeholders -policymakers, parliamentarians, academics, major groups, foundations, business sector representatives and more than 3,200 registered non-governmental organizations- in a productive dialogue on sustainable development through a programmatic cycle of meetings. The work of the Council is guided by an issue-based approach, and there is an annual theme that accompanies each programmatic cycle, ensuring a sustained and focused discussion among multiple stakeholders.

Topic A: International cooperation in fairly and effectively collecting tax revenue from multinational companies

1. Definition of Key Terms

Before examining the details of tax collection, it is important to define the terms that are relevant to this topic. First of all, the terms "fairly" and "effectively" are very important to consider. Effectively taxing these multinational corporations means preventing all the potential abuses of differing tax systems, so that multinationals pay the full amount they are due in each jurisdiction they operate in. Fairly taxing multinationals means many different things. First of all it means important to be fair to multinationals in recognizing that they are not all the same. Where and how they are taxed should depend on what kind of operation they have in which country. It is fair to insist every corporation pays all the taxes they are due to pay. But that is not the same as taxing them twice for the same activity when they operate in different countries. Multinational corporations should not be charged a higher tax rate because operating in more countries, but they should not be able to use their multinationalism to avoid taxes either. Secondly fairness is also about the countries involved. Each country has vastly different ways of taxing corporations within their borders, not all countries have the same bargaining power and each country has different interests when it comes to creating international frameworks. Any framework addressing international taxation should take all of this into account.

A multinational corporation (MNC), or multinational enterprise (MNE), is a company that has business operations in multiple countries. Generally, an MNC has its headquarters in one country and owns subsidiaries that operate in other countries.[22]

Pre-tax profit entails the profit a corporation made, after all costs, including interest and depreciation, are taken out of total revenue. The only thing that is not accounted for is the tax. Those profits become net income, once tax liability is also taken into account.[23] Corporate income tax is this tax liability.[24] A country's tax base is all of the corporate and individual income put together, constituting the total amount that the country's tax rate can then be applied to.[25]

The statutory tax rate for a company is the rate that the law specifies. It is the portion of pre-tax profits that a company is supposed to be charged in taxes, regardless of what is actually paid. The effective tax rate (ETR) is the average portion of pre-tax profits that a company is paying in reality.[26]

A tax haven is a jurisdiction where the income or corporate tax rate is zero or extremely low. Tax havens also have very lax conditions for the activities that allow a corporation or person to register in that country. This means a corporation could have no business in the country, but still be registered there for the purposes of taxation. Tax havens are also associated with a lack of transparency and communication regarding its policies.[27] A tax shelter on the other hand is any way of keeping income from being taxed. This can be any type of investment and does not necessarily refer to a physical place.[28]

Tax planning refers to the practice of aligning financial assets in the most efficient way possible when it comes to tax purposes. This is not illegal by default and it is not the same as tax avoidance either. It could simply mean ensuring the efficient use of all legally available tax deductions.[29]

Foreign direct investment (FDI) refers to any asset owned in a country other than the owner's home country. FDI i generally concern long-term investments. Any subsidiary or asset owned by a multinational corporation outside the country where it is headquartered is foreign direct investment.[30]

Corporate social responsibility (CSR) has competing definitions, but it is generally agreed to That it means that corporations should mitigate any external negative effects their activities have as much as possible, and many argue that it should also mean corporations should actively work to be a positive force in society.[31]

TOPIC B: TRADE AS A MEANS OF REBUILDING IN POSTCONFLICT COUNTRIES AND REGIONS BACKGROUND

According to a 2005 ECOSOC report, there have been 20 million killed in 140 civil wars since the Second World War, as well as 67 million people displaced from their homes in the same period of time (Panic, 2005). Further studies from the Peace Research Institute in Oslo point out that the number of armed conflicts has been rising over the past 50 years, the vast majority of which are intrastate, rather than interstate (Dupuy, 2017). There are dozens of nations in dire need of rebuilding all over the world. The issue is made even more pressing by the fact that states which go a significant period after a civil war without rebuilding often descend back into armed conflict as competing factions vie for power. The United Nations as a whole, and ECOSOC specifically, has pledged to assist these nations and their people in becoming more stable and more prosperous through three major objectives in post-conflict regions: reconciliation, reconstruction, and reduction in absolute poverty and income insecurity.

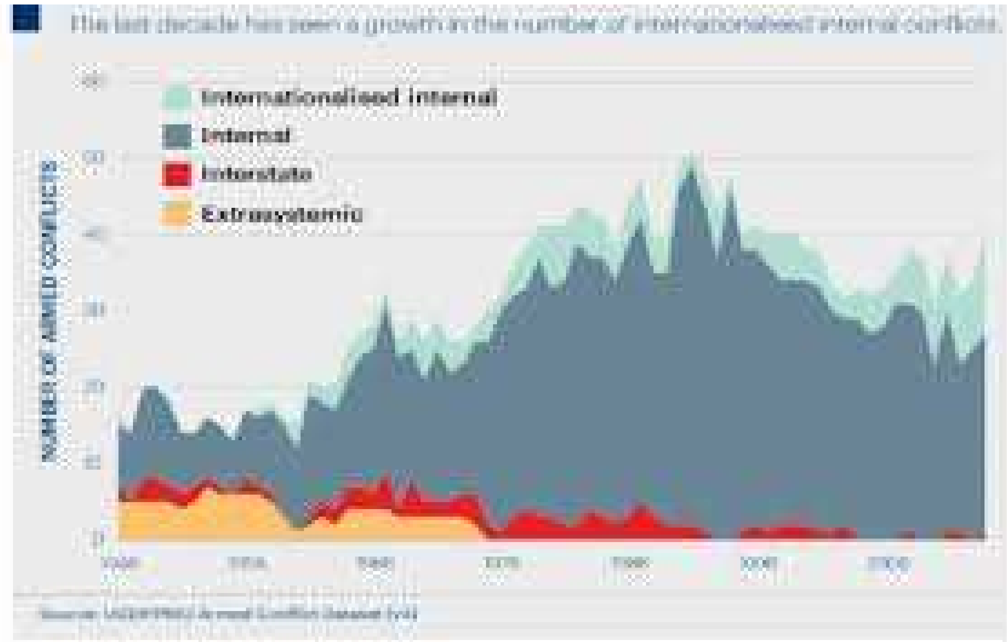

Figure 1.1:Number of armed conflicts by type of conflict, 1946 – 2016

Trade is one tool available to the international community which can allow for significant support in both reduction of poverty and reconstruction, with consequences for reconciliation as well. Providing war-torn states with access to the resources and materials necessary for infrastructure reconstruction is vital, especially for those nations without easy access to such materials. Reduction of poverty requires a balance of trade which allows for cheaper goods as well as more opportunities for work, a difficult balance to strike with which even the most developed nations struggle. As an added benefit, increased economic opportunity and stability has been shown to decrease civil unrest and provide opportunities for reconciliation among the competing groups. Trade, therefore, plays a vital role in the rebuilding process of a post-conflict country, and debate on the topic could result in significant progress for affected nations. As the World Bank pointed out in 2015, trade had doubled over the previous 40 years and “A sustained effort to deepen economic integration and further lower trade costs is essential for ending poverty.”(World Bank, 2015)

PAST INTERNATIONAL RECONSTRUCTION EFFORTS

the greatest post-war reconstruction efforts came following the Second World War. The newly formed United Nations established a Relief and Rehabilitation Administration which, alongside loans from the International Bank of Reconstruction and Development and the Marshall Plan for Western Europe, worked to achieve the following objectives: increasing production, expansion of foreign trade, enhancement of financial stability, and development of European economic cooperation. The reconstruction efforts, and the Marshall Plan in particular, were successful in their aims as GDP rose by 35% alongside intra-European trade growing by 80% in the decade following the war.

International post-war rebuilding effort of this scale was a 19 isolated incident until the early 1990s, during which the outbreak of civil wars led to greater need and subsequently greater levels of intervention. (Tzifakis, 2005) A wide variety of international organizations developed tools and set aside resources for the purpose of post-war development around the turn of the 21st century. In 1995, the International Monetary Fund (IMF) included specific considerations for post-conflict situations in its policy on emergency assistance (IMF, 1995). In 1997, the World Bank established a Post-Conflict Unit which is now known as the Conflict Prevention and Reconstruction Unit as well as a PostConflict Fund (World Bank, 1997). In 2001, the United Nations Development Programme established a Bureau for Crisis Prevention and Recovery before much of the responsibilities of reconstruction fell to ECOSOC. General efforts to rebuild post-conflict nations has been a focus of ECOSOC activities for many years, usually tied in with peacebuilding efforts in the region in order to prevent further violence. In particular, beginning in 2002 ECOSOC began to create specific ad-hoc advisory groups in order to tailor advice and recommendations to individual countries' needs. Such groups have been made for Guinea-Bissau (2002), Burundi (2003) and Haiti (2004) among others. The 2005 World Summit resulted in the creation of a new Peacebuilding Commission, and "In the resolutions establishing the Peacebuilding Commission, resolution 60/180 and resolution 1645 (2005), the United Nations General Assembly and the Security Council mandated it to bring together all relevant actors to advise on the proposed integrated strategies for post conflict peacebuilding and recovery; to marshal resources and help ensure predictable financing for these activities; and to develop best practices in collaboration with political, security, humanitarian and development actors." Since its creation, UN peacebuilding efforts have primarily been led by the Peacebuilding Commission, often in collaboration with ECOSOC. Resolution 60/180 20 specifically "underlines that the advice of the Commission to provide sustained attention as countries move from transitional recovery towards development will be of particular relevance to the Economic and Social Council," due to the experience and expertise in economic and social development which falls under the purview of ECOSOC. THE ROLE OF GLOBAL TRADE Economies all over the world are becoming increasingly interconnected, and this closeness has resulted in some level of dependency for many goods. Total imports worldwide totalled to $16 trillion in 2017, and trade in Africa in particular is rising extremely rapidly. As a byproduct of free trade recovering nations are more easily capable of acquiring food and infrastructure materials which are so desperately needed, as well as exporting their own produce tariff-free in order to rebuild the domestic economy. Unfortunately, however, free trade is not always beneficial and a properly regulated system of trade is vital for the economic and social success of a post-conflict nation. Unregulated domestic trade policy can lead to uncompetitive industry being outcompeted by nations with tariffs, agricultural subsidies, or higher production standards which make domestic industry non-competitive on an international market.

One of the most common problems with post-conflict regions is their vulnerability to falling back into conflict. This is due to a number of factors, including weakened political institutions and strengthened military forces, but perhaps most significantly economic failure, particularly with regards to median income growth. Post-conflict countries are extremely fragile and extremely poor, and these two characteristics are closely connected. Research in 2011 projected that the majority of the world's poor would be found in fragile nations:

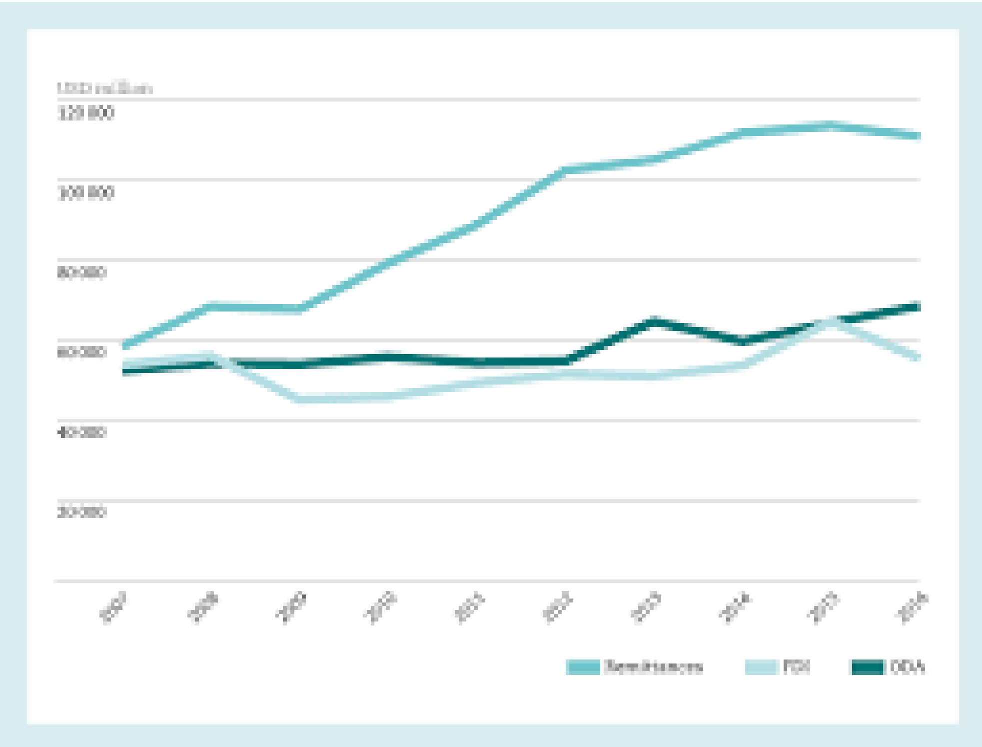

Figure 1.2: Taken from World Bank report "Trading Away from Conflict: Using Trade to Increase Resilience in Fragile States"

According to research from the World Bank, trade factors are closely correlated with risk of conflict due to the impact of trade on the economy and the economy on conflict. For example, "Increases in the prices of exported oil and mineral commodities substantially raise the risk of conflict. An increase in the value of these exports of 10 percent raises the risk of conflict by 2.2 percent on average across countries." The World Bank points to three major reasons for this connection (Calí, 2015): "The opportunity cost effect holds that changes in real incomes, for example driven by changes in trade prices, change incentives for participating in conflict by changing the return on participation in violence compared with more productive activities. The rapacity (sometimes called "state prize") effect refers to the idea that valuable economic resources can provide an incentive to fight over their control. And the resource effect recognizes that both government and rebels may fund their activities by taxing the production of commodities, so that changes in their value affect the ability to sustain conflict." This connection means that there is an opportunity for domestic policy and international agreement to make a real impact in post-conflict nations. In order to increase resilience of these 22 nations, special considerations must be given to improving economic conditions. The World Bank's analysis developed several key points that trade policy should address in post-conflict regions. First, trade policy should treat stability as an objective. Achieving these objectives requires a country-level analysis of the effects which any proposed policy would have on key commodities to the domestic economy, as well as which key players would benefit from the policy. As a result, they recommend developing a systematic framework through which nations will be able to: 1) "identify the changes in trade that would matter most for the country's stability" and 2) "assess the likely distribution of gains and losses across different groups within the country as a result of the change in trade." In addition to commodity exchange, Foreign Direct Investment (FDI) is a form of trade which can have a significant positive impact on post-conflict nations. In 2009, the UN looked at the role FDI played in rebuilding Croatia and Mozambique, and found that investment opportunities in nations emerging from conflict benefitted both the investors and the nations themselves. The report concluded that actively making the nation an attractive location for FDI could result in "potential contributions to investment, employment, public finances, macroeconomic stability, infrastructure, business development and economic growth in general, all of which can help sustain peace in the long run."(United Nations, 2010) For example, Mozambique's efforts brought FDI in the nation from $9 million in 1992 up to $215 million just ten years later. There were 12 major conclusions of the review, with important takeaways including to start developing infrastructure for FDI as early as possible, privatization can have a positive impact on the flow of investment, and that special economic zones can create "ideal regulatory environments for FDI."

WHAT ECOSOC CAN DO

23 In terms of trade policy, the UN does not have any direct impact. The organization cannot change domestic trade policy, nor can it change the terms of trade within the World Trade Organization or World Bank. The two organizations do have nearly the same membership, however, and so discussions from one body often influence and shape decision making in the other. There are several other capacities through which the UN can have a significant positive effect. The first is in an advisory role; governments emerging from a period of conflict have a wide variety of tasks and responsibilities, often with a limited budget due to the decimation of local industry. Researching effective policy and provided such resources to the nations in need can make a significant difference in a post-war situation. Additionally, it can facilitate multilateral agreements between countries and serve as a level playing field for nations to construct agreements that benefit both sides

POINTS A RESOLUTION SHOULD ADDRESS

ECOSOC, and the United Nations generally, is well positioned to provide advice and resources to nations emerging from conflict. A resolution should attempt to balance the need for a generally applicable advisory and regulatory framework with the specificities which underlie conflicts and their affected regions. Additionally, one of the most common problems in UN resolution-building is particularly relevant here: national sovereignty. Post-conflict nations are likely to not want their economic policies determined by the powers of the UN. Similarly, developed and stable nations are not likely to accept any demands from the UN with regards to their own economic policies. Resolutions should address, among other considerations, the relationships between trade and access to vital resources (such as food and energy), risk of destabilization, and foreign investment. Additionally, they should consider the commitment that the United Nations has made to the three major objectives in post-conflict regions: reconciliation, reconstruction and reduction in absolute poverty and income insecurity. There are several options available to 24 delegates, but it is worth considering that trade is a two-way street. The affected regions themselves should take steps to ease economic damages, but those nations which trade with them can also play a major role in helping rebuild and grow the economies, often to the benefit of both sides. Additionally, conflict may arise due to protectionism and anti-globalization rising in many governments across the world, as well as a general anti-interference sentiment stemming from concerns over national sovereignty. Even nations which stand to benefit from these policies may reject such assistance- The Brazilian government recently declined $22m in aid for the Amazon rainforest from the G7, citing concerns over foreign interference in domestic policy.

CONCLUSION

A significant proportion of the world's population lives in war-torn regions, any solution to this crisis must address the economic ramifications of such conflicts. Trade is a meaningful tool for change, and the United Nations has the connections and resources necessary to influence the balance of trade in favour of these regions. Many modern countries are experiencing increased levels of nationalism and protectionism when it comes to trade. Such an environment assumes that trade is a zero-sum game, where there is a set amount of good to be gained which must be fought over. This assumption is contrary to the purpose of the UN as a global body, intending to foster agreement and understanding between nations. The goal of this committee, is not necessarily to split the pie a new way, but rather to grow the pie so that all states can be better off.

FURTHER READING

In addition to independent research, below are several resources which might be useful: 25 • Panic, M. (2005). Reconstruction, development and sustainable peace: a unified programme for postconflict countries | Economic Analysis & Policy Division. [online] Development Policy & Analysis Division | Dept of Economic & Social Affairs | United Nations. Available at: https://www.un.org/development/desa/dpad/publication/cdp-background-paper-no18/ [Accessed 26 Aug. 2019]. o This paper published by the United Nations provides in-depth analysis on the role of economic welfare in conflict prevention and sustainable peace. Its conclusions are useful for understanding the broad goals of UN economic involvment in these regions. • Best practices in investment for development. (2010). New York: United Nations. Available at: https://unctad.org/en/pages/PublicationArchive.aspx?publicationid=452 o Another paper from the United Nations, specifically outlining the role of Foreign Direct Investment and how economies can encourage it as they emerge from periods of conflict. • Calì, M. (2015). Trading Away from Conflict: Using Trade to Increase Resilience in Fragile States. Washington DC: International Bank for Reconstruction and Development|The World Bank. Available at: https://www.worldbank.org/en/topic/trade/publication/tradingaway-from-conflict o This is an incredibly relevant and useful paper from the World Bank. Its conclusions deal with the role of trade in preventing post-conflict nations from returning into war. Chapter 3 is most relevant to our topic. • World Bank. 1999. The transition from war to peace : an overview (English). Washington, DC: World Bank. http://documents.worldbank.org/curated/en/555671468177846476/Thetransition-from-war-to-peace-an-overview o This paper is more broad than just our topic, but section 6, “Economic Reconstruction Strategies” contains useful information and strategies. 26 Additionally, 8.13 (“Lessons Learned”) is World Bank specific but valuable for creating effective economic thinking in affected regions