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WHO Meets Behind Closed Doors, Threatens A Global Tax Hike

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The sovereignty of individual nations is increasingly under threat from international governance bodies that want to force a range of new regional and international taxes on states. The latest attempt to bypass state sovereignty occurred when the World Health Organization (WHO) met behind closed doors in Moscow last week. In fact, even independent media outlets were excluded from the meeting. The body voted in secret on mandating a tobacco tax that, according to the economist Arthur B. Laffer will see the global average price of cigarettes increase by 107% worldwide. Although the United States and Canada did not participate in the meeting in protest of Russia's actions in Ukraine, the WHO decided to adopt a 70 percent excise tax rate, regardless of whether local economic conditions make this a realistic option.

Excise taxes on tobacco, as well as policies such as plain packaging, will not reduce the number of smokers, but will lead to high prices, an increase in illicit trade and, threaten the jobs of thousands of U.S workers.

That's why free market and taxpayer groups from across the world have come together with an international coalition letter that urges these international governance bodies not to implement damaging and costly global taxes. This letter is not about promoting or defending tobacco or any other consumer products in particular, it is about supporting tax competition as a fair principle in contrast to tax harmonization, opposing financial transactions taxes (FTT) and, any increase or harmonization of excise taxes that "could be easily extended to all other consumer products." Tobacco products are the easiest items to target with this type of tax because of their unpopularity. It is clear that the main scope of this tax is to create a precedent to regulate the freedom of consumers with respect to any product labeled as "unhealthy" based on the ideological biases of current governments and international institutions.

Debating a Tobin Tax

International governing bodies, such as the UN also want to tax financial transactions (better known as a Tobin Tax) of all kind, everywhere in the world. The normal problem with taxing financial transactions is that transactions can be easily done anywhere in the world, which has resulted in supporters proposing a tax that will affect everyone. However, Charles Goodhart, an economist at the London School of Economics notes that this is a dangerous idea that "would greatly increase both the costs and volatility of foreign exchange dealing and throw a huge spanner into the workings of the global financial economic system."

Pressure on Ireland

International governance bodies are also targeting individual nations, hoping to create uniform levels of high taxation worldwide. In recent months Ireland has faced severe international pressure and criticism from the Organisation for Economic Co-operation and Development (OECD) over its pro-business policies, including its competitive 12.5 percent corporate tax rate. This is just another example of an international organization without any electoral mandate interfering and undermining national sovereignty and international competitiveness.

As a result of extensive criticism, Irish Minister for Finance Michael Noonan announced during his 2015 budget speech that he will end the 'double Irish' tax scheme for new entrants starting January 2015, and for existing multinational firms by 2020. The elimination of this measure has been accompanied by a 10-point package of business tax initiatives that Ireland hopes will reinforce inward investment and repair the reputational damage suffered in wake of the controversy over the Irish corporate tax regime. Nevertheless, Minister Noonan confirmed that Ireland will retain its 12.5 percent rate, recognizing its importance in Irish competitiveness. Additionally, in recognizing the importance of tax competiveness, Irish officials are believed to be considering a 6.25 percent rate for intellectual property profits in an effort to offset the removal of tax incentives.

Threat to Competitiveness

According to the recent "Best Countries for Business rankings" by Forbes, Ireland ranks number 1 (out of 145). In a recent study released by the Tax Foundation, Ireland ranked second for tax competitiveness amongst OECD countries. However the latest tax changes could threaten Ireland's position in these rankings.

Even celebrities such as Bono, the leader of the rock band U2, have taken to defending the current Irish tax's regime. "We are a tiny country," said Bono. "We don't have scale, and our version of scale is to be innovative and to be clever, and tax competitiveness has brought our country the only prosperity we're known."

The announcement followed extensive pressure by other nations, including Germany holding Ireland's request for its European Union (EU)/International Monetary Fund (IMF) loan to be repacked hostage, demanding that the Emerald Isle agree to reform its tax system to remove business friendly incentives so it is in line with other European countries. In a statement, Germany's Deputy Finance minister Steffen Kampeter said that Ireland needs to do its part to ensure there is "fair tax competition for all in Europe."

High-Tax Nations Want to Keep Taxes High

"In effect, what's happening," explains Dan Mitchell, senior fellow at the Cato Institute, "is that the high-tax nations of the world want to set up something equivalent to OPEC. But instead of a cartel to keep energy prices high on behalf of oil producing countries, it's an effort by politicians in high-tax nations to create a cartel that will keep taxes high."

While German officials are quick to point out the success of loans to Ireland's economic recovery, they have so far ignored the economic advantage that the pro-market and pro-business policies have given Ireland. The IMF was recently forced to double its growth forecast for Ireland and place the nation at the top of its growth list. Some Irish officials believe that if properly managed, the nation could experience 10 years of strong economic growth, at the same level that has seen it named the fastest growing country in the EU. However the latest changes will threaten the recent economic forecast of 4.7 percent of GDP given by the Irish Minister of Finance. Ireland's competitive policies should serve as a model for the EU and the world; however world leaders are pressuring Ireland to raise tax burdens to match the rest of the developed world.

Ignoring the Inevitable Move to Free Markets

This push for a global tax crackdown ignores the reality that the modern globalized world is inevitably moving towards free markets, deregulation and mobile capital. Any international proposal to mandate tax rates would require an inordinate and unwieldy global enforcement system that would crush innovation, free enterprise and economic efficiency.

Those pushing for international taxation understand that pushing Ireland to remove its corporate tax incentives is bad for economic prosperity and will drive firms to more competitive tax jurisdictions. Further, a 2013 report by the OECD found that tax competition will lead to a leaner and more efficient government. But by forcing everyone to have the same tax rate, supporters of this dangerous policy hope to remove the competitive disadvantage of a high tax rate and in the process will decrease economic efficiency and prosperity.

As the Chicago economist, Luigi Zingales explains, "the true genius of the capitalist system is not private property, not the profit motive, but competition. Private property without competition leads to abusive monopolies […]." In the past decade, there have been numerous attempts by global governance bodies to implement a range of tax policies that infringe on the sovereignty of states. Fair and transparent democratic governance will only work with strong competition that does not affect the freedom of each citizen. Anyone who supports free and open markets, tax competition and national sovereignty should be alarmed at this overreach.