UNITED YOUTH
MODEL UNITED NATIONS

Chair Report

United Nations Economic and Social Council (ECOSOC)

Strengthening Global Tax Cooperation and Combating Illegal Money Flows to Fund the Sustainable Development Goals (SDGs)

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Committee Introduction

Established by the UN Charter in 1945 as one of the six principal organs of the United Nations, the Economic and Social Council (ECOSOC) serves as the central mechanism for coordination, policy review, policy dialogue, and recommendations on economic, social, and environmental issues. It stands as the core center of the United Nations' global development efforts. ECOSOC orchestrates a vast network of subsidiary bodies, functional commissions, and specialized agencies (collectively known as the UN Development System) to help high-level international policy become impactful, on-the-ground realities.

While the General Assembly focuses on broad political consensus and the Security Council addresses immediate peace and security threats, ECOSOC is tasked with the systemic, long-term advancement of human well-being. Over the decades, its mandate has evolved alongside the ever-changing global affairs. In its early years, ECOSOC focused heavily on post-World War II reconstruction and the initial establishment of international human rights frameworks. As the world became more globalized, the council shifted toward managing systemic economic disparities, international trade equity, and public health crises.

Today, ECOSOC's primary mandate is the implementation and oversight of the 2030 Agenda for Sustainable Development. It serves as the institutional home for the High-Level Political Forum (HLPF), the main UN platform for monitoring progress on the 17 Sustainable Development Goals (SDGs). Through this mechanism, ECOSOC facilitates voluntary national reviews, allowing member states to share successes and address challenges in poverty eradication, climate action, and gender equality.

ECOSOC's historical footprint is defined by its ability to catalyze global action and birth critical international frameworks. Rather than passing legally binding laws, ECOSOC exerts influence through norm-setting, coordination, and convening power. By bridging the gap between economic realities, social justice, and environmental boundaries, ECOSOC remains the UN's primary vehicle for fostering a fairer, more sustainable world. As the council confronts modern intersecting crises (such as climate change, rising economic inequality, and digital divides) it relies on its 54 member states to foster multilateral cooperation, innovate financing for development, and reinforce the global commitment to leaving no one behind.

Agenda Introduction

The world is facing a "scissors effect": the costs of achieving the SDGs are skyrocketing due to climate change and post-pandemic recovery, but simultaneously, the revenue streams of sovereign states are being cut.

The core of our agenda is **Domestic Resource Mobilization (DRM)**. For a state to be truly sovereign and provide for its citizens, it must be able to collect taxes effectively. However, in a globalized economy, wealth is highly mobile. Multinational Corporations (MNCs) often shift profits to low-tax jurisdictions (tax havens), while criminal networks move illicit funds across borders with ease.

In an era of digital finance, capital is highly fluid. This mobility allows for the erosion of national tax bases as wealth flows toward the path of least resistance, often bypassing the jurisdictions where the actual economic activity occurs. Multinational Corporations (MNCs) frequently leverage complex legal frameworks to shift profits to low-tax jurisdictions or "tax havens." This systemic tax avoidance deprives developing and developed nations alike of the revenues necessary to fund public goods. Beyond legal tax planning, we face the pervasive threat of criminal networks. The ease with which illicit funds move across borders, facilitated by shadow companies and under-regulated financial corridors, undermines the rule of law and drains billions from the global economy.

Letter from the Chairs

Distinguished Delegates, It is our distinct honor to welcome you to the United Youth Model United Nations (UYMUN). As your Dais, we are committed to facilitating a rigorous and rewarding experience. The Head Chair, Mia Davis, and Deputy Chair, Avery Nam, have engaged in extensive research and preparation to provide this Chair Report, and ensure a great conference.

Our world today is defined by a landscape of compounding crises, ranging from systemic financial instability and protracted conflict to deepening socioeconomic inequalities. In this context, the Sustainable Development Goals (SDGs) serve as our primary roadmap for progress, representing a collective commitment by member nations to forge a future defined by stability and equity.

However, the realization of the 2030 Agenda hinges upon a fundamental pillar: fiscal integrity. The successful resolution of global challenges requires the strategic allocation of budgets and the transparent, accountable application of funds toward their intended purposes. However, the status quo is quite far from utopic: Global Tax Cooperation has reached a critical low, and the prevalence of Illicit Financial Flows (IFFs) threatens to undermine our global financial system as a whole. Recognizing that the erosion of domestic resources is a direct barrier to development, we have established the following agenda for our session: **Strengthening Global Tax Cooperation and Combating Illicit Financial Flows to Fund the Sustainable Development Goals (SDGs).** This agenda will require you to navigate the complexities of international law, national sovereignty, and economic equity.

We look forward to witnessing your diplomacy, your capacity for compromise, and your innovative solutions as we strive to bridge the financing gap for a sustainable future. We eagerly anticipate our upcoming sessions and the high-level debate you will undoubtedly bring to the floor. Even if you are participating in an MUN for the first time, please do not worry as we are here to help; both of us will guarantee a meaningful experience! Confidence and preparedness are what we value, and we are confident that all delegates will leave the committee a changed person.

Best Regards,

Head Chair - Mia Davis

Deputy Chair - Avery Nam

Key Terms

1. **Domestic Resource Mobilization (DRM):** The process through which a country raises and spends its own funds to provide public services. It is the opposite of relying on foreign aid (ODA). DRM is primarily achieved through taxes, non-tax revenue, and the elimination of budget leakages.

2. **Illicit Financial Flows (IFFs):** Money that is illegally earned, transferred, or utilized across borders. This includes "Three Pillars": Commercial activities (tax evasion and trade misinvoicing), Criminal activities (money laundering, trafficking), Corruption (bribery and theft of state assets).

3. **Base Erosion and Profit Shifting (BEPS):** Tax planning strategies used by Multinational Corporations (MNCs) that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity.

4. **Tax Haven (Non-Cooperative Jurisdiction):** A country or territory that offers foreign individuals and businesses little or no tax liability in a politically and economically stable environment, often combined with high levels of financial secrecy.

5. **Transfer Pricing:** The price at which divisions of a company transact with each other. While legal, it is often "abused" by MNCs to overprice goods in high-tax countries and underprice them in low-tax countries to reduce their overall tax bill.

6. **Automatic Exchange of Information (AEOI):** A global standard that allows tax authorities to automatically send and receive information on the offshore accounts of their taxpayers, reducing the ability of individuals to hide wealth abroad.

7. **Beneficial Ownership:** Refers to the "natural person" who ultimately owns or controls a legal entity (like a company or trust), even if the title of the property is in another name. Transparency in beneficial ownership is key to stopping "shell companies" from hiding criminal funds.

8. **Trade Misinvoicing:** A method of moving money illegally across borders by deliberately misreporting the value, volume, or type of a commodity in an international commercial transaction.

9. **The "Scissors Effect":** A fiscal phenomenon where a state's expenditures (costs for climate action, healthcare, etc.) are rising sharply while its revenue streams (tax collection) are simultaneously being cut or eroded.

10. **United Nations Framework Convention on International Tax Cooperation:** A proposed legally binding instrument (voted on in late 2023) aimed at shifting the power of setting global tax rules from the OECD (a group of wealthy nations) to the United Nations, to ensure more equitable participation for developing countries.

Term	Legal Status	Definition
Tax Avoidance	Legal (but unethical)	Using legal loopholes to minimize tax debt.
Tax Evasion	**Illegal**	Deliberately misrepresenting or concealing affairs to reduce tax.
Money Laundering	**Illegal**	Disguising the origins of illegally obtained money to make it appear legal.

Historical Background

I. The Post-War Era and the Rise of the OECD (1945–1990s)
Following World War II, the primary concern of the international community was facilitating trade. The 1963 OECD Draft Double Taxation Convention became the "gold standard" for tax treaties. Its goal was to ensure that Multinational Corporations (MNCs) weren't taxed in two countries for the same profit. However, this era inadvertently created the loopholes used today; by defining "Permanent Establishment" (physical presence) as the only way to tax a company, it failed to anticipate the digital economy where a company can sell products in a country without ever opening an office there.

II. The Financial Crisis and the Transparency Revolution (2008–2015)
The 2008 Global Financial Crisis was the catalyst for change. As governments faced massive deficits and were forced to bail out banks, the public became outraged by the "tax dodging" of the ultra-wealthy and large tech firms. The G20 and OECD joined forces to launch the BEPS (Base Erosion and Profit Shifting) project in 2013, marking the first time the world's largest economies agreed to close loopholes collectively.
*Leak Culture: High-profile leaks like the Panama Papers (2016) and Paradise Papers (2017) exposed the scale of the "Shadow Financial System," revealing how politicians, celebrities, and criminals used shell companies to hide billions.

III. The Push for Equity and the UN Tax Convention (2020–Present)
In recent years, the conversation has shifted toward Global South Advocacy. Developing nations, led by the African Group at the UN, argued that the OECD (often called the "Rich Man's Club") was making rules that favored developed nations. This culminated in a historic 2023 vote at the UN General Assembly to begin creating a UN Framework Convention on International Tax Cooperation, effectively moving the power to set tax rules from Paris (OECD) to New York (UN).

Year	Milestone	Significance
1921	League of Nations Tax Study	The first formal attempt to address international tax issues.
1963	OECD Model Tax Convention	Established the "Physical Presence" rule for taxing MNCs.
1996	Rise of Digital Economy	The internet begins to make traditional tax laws obsolete.
2009	G20 London Summit	Declared the "end of the era of banking secrecy" post-crisis.
2010	US FATCA Act	Forced global banks to report on US accounts; led to AEOI standards.
2013	BEPS Project Launch	The first global effort to stop MNCs from shifting profits to havens.
2016	**Panama Papers**	Massive data leak exposing $20 trillion hidden in offshore accounts.
2021	Global Minimum Tax	130+ countries agree to a 15% minimum corporate tax rate.
2023	**UN Tax Resolution**	UNGA adopts a resolution to create a UN-led tax framework.

Current State of Affairs

The international community is currently facing a growing development financing crisis. According to the United Nations, developing countries face an annual Sustainable Development Goal financing gap of approximately 4.2 trillion USD. While governments are expected to fund climate adaptation, public services, and economic development, many struggle to collect sufficient revenue to meet these demands.

One major challenge is the transformation of the global economy. Traditional tax systems were built around physical presence, yet many multinational corporations can now generate substantial profits in countries where they maintain few physical operations. This has made it increasingly difficult for market jurisdictions to tax economic activity occurring within their borders. As a result, significant amounts of revenue are often shifted to low tax jurisdictions through Base Erosion and Profit Shifting strategies.

Illicit Financial Flows further weaken government finances. Funds generated through corruption, tax evasion, and criminal activity continue to move across borders through opaque financial networks. These losses reduce the resources available for development and weaken public trust in financial institutions.

At the same time, disagreement remains over who should shape global tax policy. While the OECD has traditionally led international tax negotiations, many developing countries argue that they remain underrepresented in the process. Led by the African Group, member states successfully advanced a 2023 United Nations resolution to begin negotiations on a UN Framework Convention on International Tax Cooperation. This reflects a growing demand for a more inclusive approach to global tax governance.

As states seek to achieve the Sustainable Development Goals, strengthening tax cooperation and reducing illicit financial flows have become increasingly urgent priorities.

Possible Solutions

Global Minimum Corporate Tax

One proposed solution is the implementation of the Global Minimum Corporate Tax. By establishing a minimum effective tax rate for large multinational corporations, governments can reduce incentives for profit shifting and harmful tax competition. This helps protect domestic tax bases while increasing revenue available for sustainable development.

Public Country by Country Reporting

Greater transparency can help governments identify tax avoidance practices. Public Country by Country Reporting would require multinational corporations to disclose where profits are earned and where taxes are paid. This allows tax authorities to detect inconsistencies and improve accountability.

Capacity Building for Developing Countries

Many developing countries lack the administrative capacity needed to effectively enforce tax laws. International organizations can provide technical assistance, training, and digital infrastructure to strengthen domestic tax administrations and improve revenue collection.

United Nations Framework Convention on International Tax Cooperation

The proposed UN Framework Convention offers an opportunity to create a more representative system of global tax governance. Supporters argue that a UN led framework would provide developing countries with a stronger voice in shaping international tax rules and addressing challenges such as illicit financial flows.

Questions to Consider

1. How can states balance national fiscal sovereignty with international tax standards?
2. How can multinational corporations be taxed more effectively in the digital economy?
3. What measures can be implemented to reduce illicit financial flows across borders?
4. Should the United Nations play a greater role in international tax rule making?
5. How can developing countries strengthen domestic resource mobilization without discouraging investment?
6. What mechanisms can improve transparency within the international financial system?
7. How can additional tax revenue be directed toward achieving the Sustainable Development Goals?

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