- Many environmental problems are international or global by nature and can therefore not be addressed only in the national framework. And for this reason international financing mechanism also appear called for.
- Viewed in economic terms, environmental damage is a negative externality. That is, such damage causes costs that are not covered by those responsible for them. A tax or levy would serve to internalize these costs by requiring those responsible to pay at least part of these costs.
- Many environmental goods are what is referred to as global public goods, or global commons. And they should therefore be financed publicly, i.e. through taxes.

The air-ticket tax

Since July 1, 2006, France is levying a tax on air tickets; the revenues from the tax are set to flow into a fund set up to combat Aids, malaria, and tuberculosis in the developing world. France sees this as a contribution to reaching the Millennium Development Goals (MDGs). The Chilean government has also decided in favor of an air-ticket tax and has already initiated the appropriate legislative procedures. Brazil likewise plans to introduce a tax on air tickets in the course of 2006. Norway and Republic of Korea as well as some other countries have joined the initiative.[3]

The UK has announced to put a certain amount from the revenues of its already existing ticket levy into the fund against AIDS, malaria and tuberculosis. This is part of a French-British deal. France supports in return the British pilot project for an International Finance Facility which is also destinated to the financing of the MDGs.

The French air-ticket tax levies a rate of one Euro on every ticket sold for economy-class domestic and European flights. The rate for business and first class is EUR 10. The respective rates for intercontinental flights are four and EUR 40 per ticket.

The rationale for the higher rates on business and first-class tickets is not distributional policy. With 60% of the revenues of air carriers stemming from these classes, the tax revenues collected are accordingly high. On the whole, the French government anticipates revenues from the tax amounting to up to EUR 200 million.

Estimates for the Brazilian ticket tax foresee an income of USD 12 million and in the Chilean case it would be between USD 5 million and USD 6 million. These are rather small amounts. However, politically it underlines the character of the project as a North-South partnership beyond the traditional donor-receiver relationship.

However, viewed in environmental terms, tax rates as low as these generate virtually no regulatory effects. Even those used to flying at discount rates will have no trouble paying an additional one or four euros for a flight, and the rates for business- and first-class tickets are certain not to induce passengers to switch other means of transportation, or not to travel at all. Any attempt to drastically increase the tax rate with the aim of reducing the volume of air transportation would be bound to run up against virtually insurmountable political problems. At least in the industrialized countries, the ticket tax is a mass tax. The air-ticket tax is unsuited as a means of regulating globalization, at least viewed in terms of the criteria outlined above. An air-ticket tax is acceptable only in view of its function as a first international tax, as a means of gaining a toehold for the new paradigm.

In deciding what use these tax revenues should be put to, France has opted in favor of a dedicated fund, the so-called International Drug Purchase Facility (IDPF). And here we may bear witness, once again, to the truth of the adage: The devil is in the details. Brazil e.g. has already indicated that it intends to pay only part of its revenues from the tax into the IDPF, reserving a certain share for national expenditures. Bearing in mind that Brazil now has a pharmaceutical industry of its own that produces, among other drugs, generics for use against AIDS, we cannot help but conclude that one of the government's aims here

3 Congo, Cyprus, Guatemala, Guinea, Ivory Coast, Jordan, Luxemburg, Madagascar, Mauritius, Nicaragua.

CURRENCY TRANSACTION TAX

Sony Kapoor

Some technical characteristics

Contrary to commonly held perceptions that a Curency Transaction Tax (CTT) can only work if implemented universally, it is possible to implement a CTT unilaterally on a currency basis. For currencies such as the British pound, the Brazilian real, the Indian rupee, and the Swedish, Danish and Norwegian krone it is a unique opportunity to implement the tax without first needing to bring other countries on board.

The strongest opposition to the CTT to date has come about from the United States, yet one further attractive feature of the proposition is that it does not really need the US to participate for the regime to be successful. This is because whenever the US dollar is traded in the foreign exchange market it is always against another (mostly major) currency. As long as a sufficient number of other major currencies such as the Japanese yen, the Euro and the British pound subscribe to the CTT regime, most US dollar transactions can easily be captured.

Using the money for development

The revenues generated from a CTT should be allocated directly to development. This would then be one of the most progressive taxes in the world – redistributing money from the richest market in the world to those who need it most – from those who have benefited most from globalization to those who have been left behind.

However, the main beneficiaries of the CTT would be the emerging (or middle income) economies that would stand to gain much more by freeing up hundreds of billions of dollars currently locked in unproductive foreign exchange reserves. The reduced cost of sterilizing reserve holding, lower opportunity costs and enhanced financial stability could generate annual dividends well in excess of a hundred billion dollars.

The total revenues raised by the CTT would depend on the degree of sign up, especially from the major currencies such as the euro, the British pound, the Swiss franc, the Japanese yen and the US dollar. It is fairly likely that a CTT can be implemented by a small group of countries (or even a single country such as Norway) in the short term, whereas a more widespread sign up is likely to take much longer. ■