

D. RATIONALE AND METHODOLOGY FOR THE 1999 REVISION OF THE UNITED NATIONS MODEL CONVENTION

In the 19 years since the publication of the United Nations Model Convention in 1980, several major developments have suggested a need to revise the document.

The importance of the discussion set out in the Commentaries, of the issues identified in the preceding paragraphs can scarcely be overemphasised. Not only do the Commentaries explain the reasons that underlie particular formulations adopted in the text of the Model Articles, but that they also set out suggested alternative wordings to cover non-standard approaches to certain international taxation issues which may fall to the consideration of treaty negotiators in order to deal with the special circumstances that can arise in the economic relations between pairs of countries. The tendency towards globalization, together with the increasing pace of economic and, especially technological change, means that, in order to maintain its relevance, the discussion of these issues in the Commentaries needs to be continuously reviewed and updated. To meet this challenge the Group of Experts unanimously recommended that the *United Nations Model Double Taxation Convention between Developed and Developing Countries* should be updated periodically.

The increasing focus on international trade, reflected by the establishment of the World Trade Organization (WTO), creates additional incentives to reduce other barriers, to exchanges of goods and services and the international movement of capital and persons.

The emergence of the transitional economies, with their contribution to the world economy, and the need for these countries to mobilize domestic financial resources for development suggest major efforts in the areas of tax policy, tax administration and international taxation.

There is a need for international and regional organizations to provide guidelines to facilitate conclusion of tax treaties with a view to promoting trade liberalization and expansion as well as socio-economic growth. By its resolution 1980/13 of 28 April 1980 the Economic and Social Council recognized the importance of international cooperation to combat international tax evasion and avoidance in consultation with other international agencies .

The primary goals behind the 1999 revision of the United Nations Model Convention are establishing fiscal guidelines for trade liberalization and expansion with a view to releasing additional resources for sustainable growth and promoting bilateral tax coordination. In the light of these goals, the work of the Group reflects: (i) the 1992, 1994, 1995 and 1997 revisions to the OECD Model Convention, which continues to be the basis for many provisions of the United Nations Model Convention, (ii) recent developed/developing country treaty practice, which has shown increasing sophistication, (iii) scholarship in the tax treaty field, and (iv) the comments of those who have negotiated and administered tax treaties under the United Nations Model Convention and those who engage in international trade and commerce with developing countries.

It is hoped that the United Nations Model Convention will contribute to the conclusion of an increasing number of bilateral tax treaties, not only between developed and developing countries but also between developing countries. It is also hoped that the Model Convention will contribute to the standardization of the provisions of such treaties. The creation of a network of bilateral tax treaties

based on a common model will be an important step on the way leading to the eventual conclusion of a regional or sub-regional Conventions for the avoidance of double taxation.