

REGULATION & SUPERVISION

They say the OECD is pushing an unrealistic timetable while turning a blind eye to tax practices in developed nations which the centers claim are just as harmful.

The centers are pushing for a multilateral agreement through a proposed global tax forum that would give developing nations more input into the reform process. The London meeting failed to reach agreement on the forum's possible remit and structure.

But the OECD says the timetable and format of proposals tabled by the havens in London threatens to slow the momentum of the crackdown and could reduce its effectiveness.

Arthur is optimistic, however, that a breakthrough can be achieved, saying some progress had been made in London. "It would have been remarkable if, in one meeting, we had been able to resolve so

many difficult and far-reaching issues," he says.

Tony Hinton, Australia's ambassador to the OECD and the working group's other co-chair, agrees both sides gained a better understanding of each other's views following the London meeting.

In a release issued following the London meeting, the Commonwealth Secretariat points to a need for further discussion. "The meeting identified a number of areas of agreement in relation to the need for dialogue and cooperation on tax matters with cross-border implications. However, it ended with an acknowledgement that further work is needed to achieve a mutually acceptable political process and the creation of a truly inclusive global tax forum."

The secretariat says the working group expressed satisfaction with the "frank" and

"constructive spirit" in which the talks took place and reaffirmed their objective of reaching an agreement as soon as possible.

"At the end of the day," says Sanders, "I believe it is true to say that the meeting achieved a better understanding of each side's position, and, in this context, progress was made."

The working group met again in February 15-16 in Tokyo, Japan, where it was to present its first report. OECD spokesperson Nicholas Bray admits that despite some progress made, a lot of work still needs to be done. "This is an important international issue and it's complex," he says, "but it deserves full and impartial attention." ■

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The Truth is Out There

The Center for Freedom and Prosperity tackles the OECD

by kenHunter

A new organization in the United States created to promote market liberalization is waging a war of "truth" on the Organization for Economic Cooperation and Development.

The Center for Freedom and Prosperity was formed last year in response to the Paris-based OECD's "harmful tax competition" initiative. Economic liberals view the initiatives target of offshore jurisdictions as an attempt to preserve the tax take of the OECD's wealthy member states.

The center was the brainchild of Daniel Mitchell, Andrew Quinlan and Veronique de Rugy—advocates of free markets and limited government. The three plan to tell lawmakers why they think competitive

international markets are desirable and why the OECD's campaign to undermine certain tax competition is so misguided.

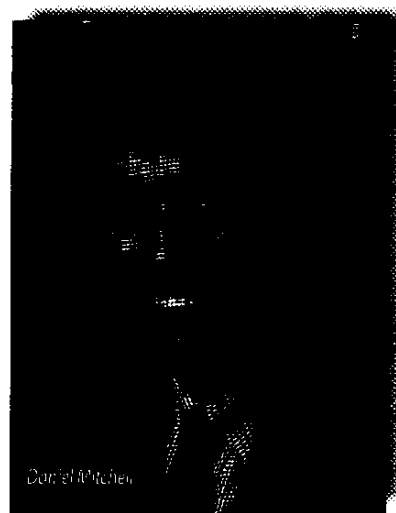
The center plans to urge government officials to reject efforts to create international tax cartels, press policy makers to oppose the assault on financial privacy and lobby politicians to preserve fiscal sovereignty.

"I don't think it's right for countries to force other countries' tax policy," says Quinlan, the center's president and a former senior staff member of the US Congress' Joint Economic Committee. "We wouldn't want it in the US. I'm sure the UK wouldn't want it. I'm sure Canada wouldn't want it, but that's what's happening."

Quinlan says the branding of offshore investment as illegal is wrong. "Just because people invest in other places rather than the UK or the US doesn't mean that they're hiding their money because of something illegal," he says. "They just believe in financial privacy and fiscal sovereignty."

But Quinlan is careful to maintain his objectivity. "We're not out there to protect tax havens, or whatever else they want to be called," he says. "We have a selfish motive because we believe that with tax competition throughout the world, it will force the United States to keep its taxes low."

At the time the OECD and Financial Action Task Force blacklists came out last June,



Mitchell, chairman of the center's board, was writing about the issue for the Heritage Foundation, the conservative Washington, DC-based think tank where he is senior fellow in political economy.

Quinlan was involved with Capital Watch, a grassroots lobby group in the US capital. Mitchell and Quinlan have been friends since their college days 20 years ago at the University of Georgia and the two thought the OECD initiative was a serious issue people needed to be informed about, so they decided to team up and the Center for Freedom and Prosperity was born.

"To be completely honest," says Quinlan, "we took a big chance. I'm the only employee who's being paid through the center now and I have a family and a mortgage, so we kind of just took a jump and it worked out well."

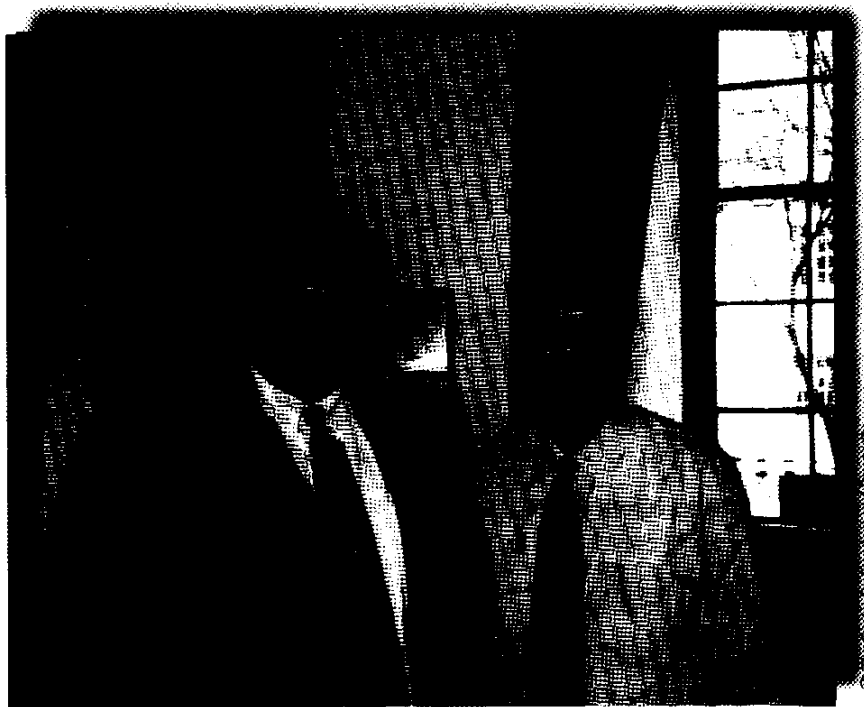
Veronique de Rugy, a post doctorate student at George Mason University in Fairfax, Virginia, welcomed the opportunity to become involved with the center. Born in France, de Rugy moved to the US two years ago and became friends with Mitchell. A tax specialist, she is in charge of promoting the center's message to the academic and overseas communities.

"When Dan called me to say, 'Hey, we're actually taking action and starting this institute, would you like to take part in it?' I just said, 'Yes' right away," says de Rugy. "It is such a horrifying concept, what the OECD is trying to do."

De Rugy says Daniel Mitchell is the perfect guy to attack the OECD. "He's well-known, he's worked on issues like this one a lot and he's incredibly productive," she says. "Andrew is a great lobbyist and he's fully involved, so I really think that the three of us make a very good team."

Mitchell and Quinlan were in Barbados in early January spreading their gospel at a meeting organized by the OECD and the Commonwealth. The two met with representatives from some of the affected countries' governments. They say they're pleased with the meeting's outcome the establishment of a joint task force to consider offshore center reforms.

"The game plan is to continue to expose what the OECD is doing and to spread the truth," says Mitchell. "The truth shall set ye free and our goal is just to publicize this."



Andrew Quinlan (left), president of the Center for Freedom and Prosperity, meets with John Kasich, former US House of Representatives Budget Committee Chairman

Mitchell is confident the center's efforts are paying dividends. "I think the battle would already have been lost if it wasn't for our role," he says. "Having said that, what's really enabled us to make all this progress is simply the fact that we're telling the truth and exposing what the OECD is doing. I think anybody who had done that could have had the same effect. It's just that nobody else was doing it."

And what did the OECD think of the presence of one of its biggest foes at the Barbados meeting?

"We had the full treatment from the Center for Freedom and Prosperity," says OECD spokesperson Nicholas Bray. "I was able to speak at a round table with them. They were generous in allowing me to speak. I have to acknowledge that they were open, generous and civil, but that does not detract from the fact that they have consistently misrepresented our position."

Despite the center's focus on the OECD initiative, Mitchell is quick to point out that the center is not a one trick pony.

"There are other related issues that are going to demand our attention," he says. "This European Union Savings Directive, for example, where they want to, in effect,

force a global information exchange system, not just in the EU, but they want to ensnare other countries into it. It's sort of the cousin of the OECD initiative. So, the moment we dispatch the OECD, we're going to have to then tackle the EU because it's just another way of trying to achieve the same thing."

In the meantime, Mitchell, Quinlan and de Rugy are enjoying their work for the center despite the long hours they say they're putting in. They plan to keep spreading the center's message through their Web site at freedomandprosperity.org and weekly e-mail updates.

"We're having fun and the reason we're having fun is that we believe in what we're doing," says Quinlan. "When you go through the time and effort that we put into our Barbados trip and see what came out of it, it's like playing in that big football game, when it's third and 28 and you get that first down, you think, 'Gosh, maybe I am doing something here.' We haven't scored a touchdown yet, but we're moving the ball and I think we're on their side of the field. We're doing well, but I'm sure they're going to come after us." ■

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