



COMPETITIVE ENTERPRISE INSTITUTE

Fred L. Smith, Jr.
President

April 3, 2001

The Honorable Paul O'Neill
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave.
Washington, D.C. 20200

Dear Secretary O'Neill:

We strongly urge the Treasury Department to reverse the Clinton Administration's decision to support the OECD's attack on low-tax nations and "harmful" tax competition.

Compared to the OECD member countries behind this initiative, the United States is a low-tax nation, which has enabled us to attract substantial foreign investment, thus increasing our capital formation and economic growth. Competition between countries to maintain tax rates hospitable to citizens and business is one of the few forces restraining the assault on individual liberties, and the growth of ever larger and more inefficient bureaucracies across the globe. The OECD's initiative would, in effect, allow countries like France to export their high-tax policies around the world, even within the sovereign borders of the United States.

Accepting the OECD's position would commit the United States to supporting an extra-territorial tax system for all nations. This would make domestic reform within the United States and around the world more difficult.

It would also put the United States in the politically dishonorable position of oppressing some of the poorest countries within our own hemisphere. One of the few advantages that small nations can offer is shelter from oppressive levels of taxation and financial privacy. The United States should not be in the position of telling small island countries that it is okay for your citizens to cut sugar cane and be tourist service workers, but not to have professional jobs in a financial services industry. And the rights of ethnic minorities living in tense political situations around the world, like the Chinese in Malaysia, may be able to protect their own property only in these private havens.

We would welcome the opportunity to meet with you and your staff to discuss these issues in more detail.

Sincerely,

A handwritten signature in black ink that reads "Fred Smith". The signature is written in a cursive style with a large, sweeping "F" and "S".

Richard W. Rahn

Fred L. Smith, Jr.

Co-chairmen of the CEI Project on Financial Freedom