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Congress of the United States
House of Representatives
Washington, DC 20515-5501

March 12, 2001

The Honorable Paul O'Neill
U.S. Department of Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary O'Neill,

I am writing to express my deep concern about an issue that will undermine the ability of developing nations and one of our own territories to strengthen and diversify their economies as well as reduce poverty.

As you surely know, the Organization for Economic Cooperation and Development (OECD), of which the United States is a member, has initiated a process designed to eliminate so-called "harmful tax competition." Within one year, if these "harmful practices" are not eliminated, sanctions are to be issued. The practices in question are said to be the facilitation of foreign owned entities to do business in these locations, no or nominal tax on relevant income of these entities, lack of information exchange, and lack of transparency.

This initiative threatens to undermine the fragile economies of some of our closest neighbors and allies, as well as my own Congressional district, the U.S. Virgin Islands. These countries are already grappling with reduced tariffs and declining preferences for their industrial and agricultural products. Wealthy OECD nations should not have the right to rewrite the rules of international commerce on taxation simply because they are upset that investors and entrepreneurs are seeking higher after-tax returns.

This "harmful tax competition" project is also not in America's national interests. In the case of the Virgin Islands, they were put on the list largely because of federal enabling legislation that was a requirement imposed by the Department of the Treasury.

The primary concern that I wish to point out in this letter, however, is that the initiative will impose serious economic harm on developing nations- including many in our hemisphere who either belong to, have an association with or have long-established friendly ties with the United States.

PLEASE RESPOND TO:

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The Hon. Paul O'Neill
March 12, 2001
Page 2

The free flow of capital plays a critical role in improving economic conditions in poorer nations. Workers benefit from increased job opportunities and higher wages. Governments also benefit because, even at low rates of tax, there are both direct and indirect increases in revenue. These are funds that are critically needed to provide education, health care, and other social services. The OECD should not be encouraged to use a high-handed approach and to act in bad faith by ignoring the principles of transparency and fairness in this matter.

What we have been facing is a successful international media campaign, developed by the OECD, aimed at painting a picture of money laundering and unsound regulatory practices. However, the anti-money laundering regulations of many of these countries have been successfully enhanced through the assistance of international funding agencies and the commitment of their own national resources.

I hope that you will take a close look at this issue. The United States is the largest economy, both in the OECD and in the world. We ask you to reject the OECD's misguided initiative. In doing so, we will be protecting our own interests and also protecting the interests of less fortunate nations around the world.

Sincerely,



Donna M. Christensen
Member of Congress

DCC/blm