

United States Senate
WASHINGTON, DC 20510-2402

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RULES AND
ADMINISTRATION

January 31, 2002

The Honorable Paul O'Neill
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary O'Neill:

With our slow economy, it is important that we focus on economic policies that will help restore growth and create jobs. Pro-growth initiatives are especially important since we live in a global economy. Fortunately, America's tax burden is low compared to other industrialized nations, and this has enabled us to grow faster by luring jobs and capital to the U.S. economy.

It is my understanding that some international organizations view tax competition as "harmful," and I appreciate your resistance to these tax harmonization proposals. The latest challenge in this field is the World Trade Organization's recent ruling against our tax laws dealing with export income. This decision poses significant risks for our economy, particularly since it could lead to \$4 billion of tariffs on U.S. exports, with agricultural products the most likely target.

This would be unacceptable. It also would be a mistake to repeal our Extraterritorial Income Exclusion Act since that would impose a punitive tax increase on export-oriented companies. Instead, I urge you to support the shift to a territorial tax system. Not only would this satisfy the WTO, it would be pro-tax reform, pro-tax simplification, and pro-competition.

Thank you for your consideration of this matter.

Sincerely,


THAD COCHRAN
United States Senator

TC/tah