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February 15, 2002

The Honorable Paul O'Neill  
Secretary of the Treasury  
1500 Pennsylvania Avenue  
Washington, DC 20220

Dear Secretary O'Neill,

I am writing to applaud your resistance to the so-called "tax harmonization" schemes supported by the European Union, the United Nations, and the Organization for Economic Cooperation and Development. Politicians from high-tax governments are wrong when they claim tax competition is "harmful." Workers, investors, and entrepreneurs should be allowed to lower their tax burdens by shifting economic activity to jurisdictions with policies that reward wealth creation by the private sector.

Tax competition is a liberalizing force in the world economy, forcing governments to be more fiscally responsible, lest they drive economic activity to lower-tax environments. The United States also happens to be the world's biggest beneficiary of tax competition. Our taxes are low compared to other industrialized nations and our favorable tax and privacy laws for foreign investors make America a magnet for international investment. Moreover, the tax cuts that we enacted last year will make our nation even more competitive in the global economy.

The OECD, UN, and EU initiatives are completely misguided, seeking to change the rules of worldwide commerce and taxation for the benefit of fiscally uncompetitive nations. These bureaucracies even support tax harmonization policies such as information exchange that would enable foreign governments to tax income earned in America. Tax harmonization also represents bad tax policy. It is completely inconsistent with fundamental tax reform. It is based on worldwide taxation instead of territorial taxation, and it presumes that tax codes should be biased against income that is saved and invested.

Mr. Secretary, America has the leverage and influence to stop tax harmonization. We are the world's largest economy and no proposed tax cartel has a chance of succeeding without our support. I hope you will be vigorous in defense of America's interests.

Sincerely,



LARRY E. CRAIG  
United States Senator

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