



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

June 20, 2001

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

Dear Secretary O'Neill:

As you know, the United States benefits greatly from tax competition. Our overall tax burden is significantly lower than many of our competitors, and we also have tax and privacy laws that make us a haven to foreign investors. As a result, our economy has attracted \$7-\$10 trillion in direct and indirect investment from overseas. These funds create jobs, boost incomes, and strengthen our financial markets.

Unfortunately, our competitive advantage could be undermined by the "information exchange" initiatives being pushed by the Organization for Economic Cooperation and Development (OECD) and the European Union (EU). Designed to thwart tax competition, these initiatives would require government to collect private financial data and then share that data. These attacks on financial privacy are bad tax policy – driven largely by a desire to double-tax income that is saved and invested. The initiatives are also bad trade policy, undermining the flow of international capital. Since the OECD wants to impose financial protectionism against low-tax jurisdictions that refuse to join the information-exchange cartel, the initiative quite likely violates WTO rules.

I congratulate you for rejecting the OECD's so-called "harmful tax competition" plan, and I urge you to reject these related proposals. The United States should not be party to an attack on tax competition, financial privacy, and fiscal sovereignty. A "global network of tax police" is the wrong approach. I look forward to hearing your response.

Sincerely,

David Dreier

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