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

May 21, 2001

The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20502

Dear Mr. President:

We, the undersigned, respectfully ask that you oppose the Organization for Economic Cooperation and Development's (OECD) "harmful tax competition" initiative. Any initiative to inhibit the flow of capital to low-tax countries is contrary to America's national interests. Our tax burden is less when compared to many of our trading partners, and the tax cuts we are seeking to enact this year will make America even more competitive.

The OECD initiative is fundamentally misguided. The Paris-based bureaucracy is seeking to change the rules of international commerce and taxation for the benefit of high-tax nations. With the support of the previous administration, the organization was seeking to compel low-tax countries to help high-tax nations collect revenue - even on income earned in the low-tax jurisdiction.

Tax competition should be praised, not persecuted. It imposes much-needed discipline on profligate governments and it gives over-burdened taxpayers the freedom to seek hospitable environments for their savings, investment, and entrepreneurship. But the OECD initiative represents more than just bad tax policy. Other reasons to oppose the so-called "harmful tax competition" proposal include:

- **The OECD project undermines America's competitive advantage.** Not only is our tax burden less when compared to other industrialized countries, we also have very favorable tax and privacy laws for foreign investors. These policies have helped attract $7 trillion-$10 trillion of capital to the U.S. economy, funds that generate high-paying jobs for American workers.

- **The OECD project is a threat to our fiscal sovereignty.** Without any vote or other sign of support from the U.S. Congress, the OECD is seeking to dictate tax policy for the entire world - including America. The organization already has demanded that we repeal our FSC law, and there are many other provisions in our tax code that are likely to be targeted by the Paris bureaucracy.

- **The OECD project could make tax reform almost impossible.** The main goal of the OECD is to enable high-tax nations to double-tax income that is saved and invested. The Paris bureaucracy even thinks its member nations should be able to tax the earnings on income that is saved and invested in other nations. This creates a big problem since all major tax reform plans being considered in the U.S. would eliminate double-taxation and tax only income that is earned inside our borders. Yet such policies would make us a "tax haven" according to the OECD and therefore subject America to punitive sanctions.

- **The OECD project is an attack on financial privacy.** In order to enforce the double-taxation of savings and investment on a worldwide basis, the OECD wants a global network of tax police with access to private financial records. Indeed, the organization even wants to eliminate due process legal protections to make it easier for high-tax governments to obtain information on earnings and assets in other countries. This has already begun with the promulgation of a last minute IRS regulation promulgated by the previous Administration in which all banks in the U.S. would be required to report periodically to the IRS the amount of interest paid to non-resident alien individual depositors, contrary to longstanding policy. We should be encouraging these deposits of capital in the U.S., not discouraging them.

- **The OECD project violates international trade agreements.** Not surprisingly, countries with lower tax burdens do not want to become vassal tax collectors for high-tax nations. The OECD is seeking to force their agreement, however, by threatening them with financial protectionism. This is bad trade policy, and it also violates World Trade Organization obligations.

- **The OECD project will impoverish developing nations.** Many poorer nations are wisely adopting market-based policies to promote growth. Yet the OECD is asserting that low tax rates are a form of "unfair" competition. This will deprive these nations of a chance to create good jobs and higher living standards.

Finally, it is worth noting that career bureaucrats at Treasury and the IRS argue that the Clinton policy should be retained because the U.S. has a worldwide tax system. As such, they claim that any reduction in financial privacy in other nations will help them enforce our tax system. Yet this is the wrong way to reduce tax evasion, particularly since it would make it nearly impossible to shift to a territorial tax system (the common sense notion that a country taxes only the income earned inside its borders). The better approach, of course, is to reduce tax rates and eliminate the double-taxation of income that is saved and invested.

Fortunately, as the largest financial supporter of the OECD, America has the leverage to stop the organization's ill-conceived project. Without U.S. support, the OECD's proposed cartel has no chance of succeeding. We urge you to reject these international efforts to harmonize and raise taxes across the globe. Such a policy erodes U.S. sovereignty, and runs counter to America's view that individuals should keep more of their earnings for themselves, and be less reliant on big government for their security.

Sincerely,

Bob Ney

Bob Ney, M.C.

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