



## United States Council for International Business

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*Serving American Business as U.S. Affiliate of:*

International Chamber of Commerce (ICC)  
International Organisation of Employers (IOE)  
Business and Industry Advisory Committee (BIAC) to the OECD  
ATA Carnet System

October 26, 2004

The Honorable Ted Stevens  
Chairman, Committee on Appropriations  
The Capitol S-128  
Washington, D.C. 20510-6025

Dear Mr. Chairman:

We are writing on behalf of the Taxation Committee of the United States Council for International Business (USCIB) to express our concern about Section 412 (a) of S. 2809, the 2004 Appropriations bill, already approved by the Senate Appropriations Committee. This provision stipulates that funding from U.S. Government sources will be available to the Organization for Economic Cooperation and Development (OECD) only so long as it does not engage "in any activity to identify, report on, or penalize any country that encourages foreign investment through the adoption of tax incentives." USCIB strongly disagrees with the thrust and implications of this language and believes that its inclusion in the bill is unwarranted and inadvisable.

USCIB promotes an open system of global commerce in which business can flourish and contribute to economic growth, human welfare and protection of the environment. Its membership includes some 300 leading U.S. companies, professional services firms and associations whose combined annual revenues exceed \$3 trillion. As the exclusive American affiliate of three key global business groups – the International Chamber of Commerce, the International Organisation of Employers, and the Business and Industry Advisory Committee to the OECD (BIAC) – USCIB provides business views to policy makers and regulatory authorities worldwide, working to facilitate international trade.

USCIB member companies participate actively through BIAC in all tax projects initiated by the OECD Committee on Fiscal Affairs (CFA). We therefore consider ourselves well placed to clarify the objectives, scope and impact of OECD tax work, and to discuss the benefits of such work to U.S. companies and the U.S. economy. The officers and members of the USCIB Taxation Committee are leading executives from a range of industry sectors, including pharmaceutical, consumer products, financial services, technology, telecommunications, energy and heavy manufacturing.

Section 412 (a) reflects charges by certain critics of the OECD that a CFA project aimed at ending so-called harmful tax competition was in fact an attempt to encourage the spread of "tax harmonization," which is described in the Committee Report accompanying the bill as

“countries’ efforts to tax their citizens’ foreign investments in order to discourage investment overseas.” The Committee Report further concludes that this phenomenon of tax harmonization would harm the U.S. economy and potentially erode the competitiveness of U.S. business interests.

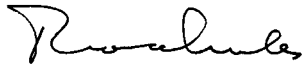
To understand why this charge is unwarranted, it is useful to recall the origins of the CFA project in question. The project commenced in the mid-1990s as an attempt to breach, or temper, the wall of bank secrecy extant in several countries, inasmuch as this phenomenon clearly aided and abetted cross border criminal activities. The study, as it progressed into the 21<sup>st</sup> century, was about promoting fair tax competition, not tax harmonization. While BIAC objected to some of the principles set forth in CFA’s harmful tax competition study, through BIAC’s long-standing consultative, working relationship with the OECD, we were able to convince CFA to redirect its emphasis to transparency and information exchange. The project concluded that transparency of tax systems, coupled with a willingness to exchange information **pursuant to a bilateral tax treaty or exchange of information agreement**, was the standard to be encouraged by OECD. The international business community is in accord with this goal.

Moreover, U.S. business is broadly supportive of and benefits from other work of the CFA. The CFA monitors and studies the most significant international taxation issues of our time, namely, transfer pricing and the use of tax conventions. The guidance that has evolved under the OECD banner over the years has been exceptionally useful to the multinational enterprises of the world, U.S. enterprises included, particularly in the fight to eradicate, to the extent possible, international double taxation. Without the consensuses developed through the debates, discussions and dialogues conducted under the aegis of the OECD, the state of the art would be far less congenial to business than is the case in fact. U.S. companies would suffer from tax obstacles to international trade and investment, without the good offices of the OECD.

Nor is taxation the only policy area in which our companies and our country benefit from the work of the OECD. The OECD has long been an essential forum for consultation and cooperation among industrialized nations, providing cutting edge analysis and policy guidance on a wide range of subjects of interest to business. A partial list of these includes trade, investment, telecommunications and electronic commerce, and competition policy. More recently, OECD has intensified its outreach to newly industrializing and other non-member economies, providing valuable market-based advice, including on such front burner issues as the importance of intellectual property protection. The OECD was the forum of choice for negotiating a convention that went a long way toward internationalizing the U.S. Foreign Corrupt Practices Act. In all these activities, business has a direct voice through the BIAC advisory mechanism, as well as a direct interest in the OECD.

In conclusion, we express our broad support for continuation of the funding of the activities of OECD. In particular, we endorse, without reservation, the continuation of active U.S. government and business participation in the important work of the CFA. USCIB would be pleased to provide you with further examples of its members’ interest in the varied activities of the OECD. We would be happy to answer any questions you may have regarding its work on taxation.

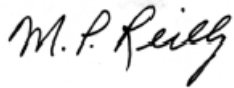
Sincerely,



Thomas M.T. Niles  
USCIB President



Daniel A. Nichols  
Chair, USCIB Taxation Committee



Michael Reilly  
Vice Chair, USCIB Taxation Committee



Richard M. Hammer  
USCIB International Tax Counsel

Cc: Senator Robert F. Bennett  
Chairman, Subcommittee on Agriculture, Rural Development, and Related Agencies

Cc: Senator Joseph R. Biden, Jr.  
Ranking Minority Member, Committee on Foreign Relations

Cc: Senator Pete V. Domenici  
Chairman, Subcommittee on Energy and Water Development

Cc: Senator Charles E. Grassley  
Chairman, Committee On Finance

Cc: Senator Judd Gregg  
Chairman, Subcommittee on Commerce, Justice, State, and the Judiciary

Cc: Senator Richard G. Lugar  
Chairman, Committee on Foreign Relations

Cc: Congressman William M. Thomas  
Chairman, Committee on Ways and Means

Cc: Congressman C.W. Bill Young  
Chairman, Committee on Appropriations

Cc: Congressman Frank R. Wolf  
Chairman, Subcommittee on Commerce, Justice, State, and the Judiciary