



United States Council for International Business

1212 Avenue of the Americas, New York, NY 10036-1689
tel: 212-354-4480 ~ fax: 212-575-0327
e-mail: info@uscib.org ~ Internet: www.uscib.org

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 9, 2006

The Honorable Bill Frist
509 Senate Hart Office Building
Washington, D.C. 20510-4205

Dear Senator Frist:

We are writing on behalf of the United States Council for International Business (USCIB) and its Taxation Committee to express concern about language in Section 577 of H.R. 5522, the Fiscal Year 2007 appropriations for Foreign Operations, Export Financing, and Related Programs, which would prohibit funding of activities undertaken by the Organization for Economic Cooperation and Development (OECD) that are “designed to hinder the flow of capital and jobs from high-tax jurisdictions to low-tax jurisdictions or to infringe on the sovereign right of jurisdictions to determine their own domestic policies.” 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. A list of USCIB members is attached. 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.

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 selective list of these includes trade, investment, telecommunications and electronic commerce, and competition policy. 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 to internationalize 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.

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 577 reflects charges by certain critics of the OECD that have been made repeatedly in recent years and that rely on misunderstanding and mischaracterization of the nature and utility of the OECD and its work. Specifically, it is based on the assumption 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 has been described as "countries' efforts to tax their citizens' foreign investments in order to discourage investment overseas." The assumption is that the OECD is somehow promulgating policies of tax harmonization that would harm the U.S. economy and potentially erode the competitiveness of U.S. business interests.

This charge is without factual basis. The CFA project in question 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 21st 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. Particularly since September 11, the U.S. Treasury Department has worked diligently to implement information exchange agreements with foreign countries. 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 consensus 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. business would suffer, along with business in our trading partners, from tax obstacles to international trade and investment, without the good offices of the OECD.

In conclusion, we would like to reiterate our broad support for unconditional 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,

A handwritten signature in black ink that reads "M. P. Reilly". The signature is written in a cursive style with a large, prominent "M" and "R".

Michael P. Reilly
Chairman, USCIB Taxation Committee

A handwritten signature in black ink that reads "Peter M. Robinson". The signature is written in a cursive style with a large, prominent "P" and "R".

Peter M. Robinson
President, USCIB