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# United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

February 14, 2001

**The Honorable Paul H. O'Neill**  
**U.S. Secretary of the Treasury**  
**Department of the Treasury**  
**1500 Pennsylvania Avenue, N.W.**  
**Washington, D.C. 20220**

**Dear Mr. Secretary:**

**In as much as the State Department authorization legislation includes appropriations to the Organization for Economic Cooperation and Development (OECD), the Senate Foreign Relations Committee therefore has an interest in what the OECD accomplishes *and* in the efficient functioning of this international organization.**

**However, I have great concern that the OECD may be seeking to undermine the ability of nations to adopt market-based tax regimes.**

**With the encouragement of your predecessor, Secretary Summers, the OECD has been pursuing a project to fight allegedly "harmful tax competition." This project produced, for example, the perverse January 26, 2000, report "Toward World Tax Cooperation," strongly critical of so-called "tax havens."**

**But, Mr. Secretary, I find troubling that the OECD threatens many *low-tax* countries simply because they are luring investment away from *high-tax* nations. I believe this to be economically unwise and morally questionable.**

**I am especially troubled by the foreign policy implications of the OECD's campaign (e.g., that the U.S. has supported an international effort to stigmatize low taxes). I am confident that you share my view that nations**

should have the right to choose the tax and the privacy laws that are most likely to promote economic development.

If high-tax countries are worried that they are losing their tax base, the *proper* response is their lowering *their* tax burdens rather than trying to force low-tax nations to raise tax rates or to serve as vassal tax collectors.

Most importantly, lower tax rates and pro-growth tax reforms are key determinants of a developing economy's performance. A modest tax burden obviously rewards entrepreneurial initiative and attracts investment, leading to rising income levels and broadly-shared prosperity.

Such economic policies lead to growth in developing nations (and they can become less reliant on foreign aid).

I hope you will address this misguided OECD policy, perhaps including at upcoming international meetings. In any event, America should not be bound by misguided decisions of the previous administration to allow such wrongheaded OECD initiatives to continue.

Kindest regards!

Sincerely,

A handwritten signature in black ink that reads "Jesse Helms". The signature is written in a cursive style with a large, sweeping initial "J".

JESSE HELMS