



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 7, 2001

Dear Colleagues:

It was a pleasure to see you at the G-7 Ministerial at the Blair House in April. I felt that we were able to build further on the solid foundation for productive dialogue and cooperation that we established in Palermo. Since our last meeting, I have completed a thorough re-evaluation of the OECD initiative to address harmful tax practices and have stated publicly my views on that project. Therefore, I wanted to write to you directly to convey my thoughts on this important matter.

As I expressed in my recent public statement regarding the OECD initiative, it is critical that we enforce our tax laws as written because failing to do so undermines the confidence of honest taxpayers in the fairness of our tax system. With respect to the United States, where a taxpayer is suspected of evading the U.S. tax laws through the use of offshore entities or secret bank accounts, we sometimes need information from another country to address that situation. The same is true for other countries. In this regard, the development of a framework for reaching information exchange agreements with countries that have shown little interest in cooperating in this regard in the past will be valuable. The proposals by the OECD to promote adequate record keeping and legal mechanisms for effective information exchange when necessary in specific cases contribute to the development of such a framework.

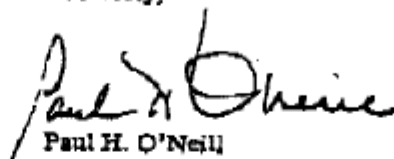
Other aspects of the OECD initiative, however, go beyond what is necessary to enforce our respective tax laws. The OECD initiative implicates low-tax regimes that may be designed to encourage foreign investment but that have nothing to do with evasion of any other country's tax law. Countries must be free to adopt tax policies that encourage investment and promote economic growth. We should not interfere in any other country's decision about how to structure its own tax system when that system does not serve as an obstacle to enforcing our own tax laws.

As my public statement indicates, I want to refocus the OECD initiative on its core element: the need for countries to be able to obtain specific information from other countries upon request in order to enforce their respective tax laws. Representatives of the United States expressed these concerns regarding the need to refocus the project to your representatives at a technical-level OECD meeting in early May, and plan to continue discussions regarding this objective at technical-level OECD meetings later this month.

As a result of these discussions, I hope that a refocused OECD initiative could emerge and proceed with the same spirit of cooperation and common purpose that characterizes other G7 initiatives, such as our anti-money laundering efforts. We strongly support the ongoing work of the FATF and look forward to continued progress in the fight against money laundering.

I look forward to discussing with you the progress of these discussions, and a variety of other issues, at our meeting in Rome in July.

Sincerely,



Paul H. O'Neill

To: Ministers Brown, Eichel, Fabius, Martin, Shiokawa, and Visco