
High-Level Consultations On OECD Harmful Tax Competition Initiative

Barbados, 8-9 January 2001

A Multilateral Meeting hosted by the Government of Barbados in Association with the Commonwealth Secretariat and the Global Forum on International Taxation of the OECD.

Opening Remarks of H E The Rt Hon Don McKinnon

Commonwealth Secretary General calls for multilateral dialogue

Firstly, I must thank Prime Minister Owen Arthur for generously hosting this meeting. Lets hope that the sun of Barbados can positively motivate us, as it seems to all the tourists I've seen so far.

Prime Minister Arthur's offer came as a result of a call made by the Commonwealth Finance Ministers at their meeting in Malta in September last year, for a multilateral dialogue on the OECD's tax competition initiative.

By calling for such a dialogue, Commonwealth Finance Ministers were recognising that it is simply essential in today's globalized world to consult multilaterally when trying to develop international rules and standards.

The area of taxation is no exception.

Simply put, if not consulted at the development stage why should a country buy into any rule or standard, and how can that rule or standard be called ‘international’; instead some might view it as a threat to sovereignty.

Many Commonwealth members take issue with the actions of the OECD in challenging the right of non-member States to manage their domestic sovereign tax affairs; and in particular to the threat of sanctions.

However, if effective, inclusive multilateral dialogue occurs, all countries affected will own the rules and standards. They will enforce and defend them. And that is surely the goal of any international rule or standard.

Of course, there were 4 Commonwealth Finance Ministers in Malta that are also OECD members who supported the need for this meeting from the outset, as did OECD Secretariat officials in Malta.

Together we all want this meeting to succeed.

The Commonwealth and the OECD have enjoyed co-operative relations for many years. The fact that some of our members are also OECD members gives each of us a valuable perspective on the other’s interests and concerns.

Today we rely on our co-operative past. In preparation for this meeting I was heartened to see our two Secretariats working closely together.

It is also a fact that the Commonwealth has a proud reputation for work it has done in areas similar to the OECD's work in financial service section regulation.

The Commonwealth, like the OECD, fights against money laundering and other doubtful financial activities and practices.

We both want to create clean and transparent economies for businesses to operate within, and to see the adoption of competitive tax practices to both maintain and attract revenue.

The Commonwealth has helped improve financial sector standards against its 54 member countries. This is evidenced by the adoption of regulatory improvements to Commonwealth legal, accounting, tax and financial supervisory systems, over the last 10 years.

These achievements have been recorded through a consensus building and co-operative approach amongst Commonwealth officials. None of these improvements has been imposed upon non-Commonwealth countries; however, they are usefully held up as best practices.

The Commonwealth has also actively encouraged its membership to implement the 40 Financial Action Task Force (FATF) recommendations.

We have also organised workshops and seminars on anti-money laundering activities, proceeds of crime and crime in cyberspace.

Furthermore, we have developed a model law on anti-money laundering activities that many of our membership have adopted.

However, we are not here to mutually congratulate each other's organisations for work done in this area. We are here because the Commonwealth membership is aggrieved at the way in which the OECD has pursued its recent work in the area of tax competition. We must rely on the past good relationship between our organisations to markedly improve the present situation.

We are here to take a hard look at the issues, to sort out our differences, and to go forward together.

As Prime Minister Owen Arthur has put it so well, we are here to develop "a shared perspective on common principles". Of course, we are also here to see if we can agree on a way forward.

At this meeting, we may not agree on a mutually acceptable definition of harmful tax practice, or on what level of assistance one State should provide another in the area of tax investigation, both of which are key areas we will need to eventually resolve.

That's okay, because this is clearly the first stage of a truly multilateral dialogue on these issues.

However, at this meeting, we should aim for the adoption of common principles that we can then clarify over the coming months. These principles should evolve into a mutually accepted definition and an agreed level of inter-state involvement in this area.

We should not be afraid to identify areas where there are differences; instead we should just agree to work together to bridge those differences.

So, what we really must do at this meeting is to determine the mechanics of how we will work together from here on in.

We should agree to continued multilateral dialogue, and ultimately on the creation of a truly multilateral forum for ongoing discussion and management of these issues.

The OECD began this issue, by as Deputy Director-General Kondo intimated in Friday's Weekend Nation, they "can't succeed on (their) own. (They) need co-operation with other countries, both in the developed and the developing world".

We must use this meeting to determine that grouping and how it should function.

As we discuss a way forward on this issue, we owe it to the Small Island States affected to always keep in mind the fact that much of the developed world advised them that as their trade preferences diminished due to globalization, they would need to get into other sectors to survive.

Apart from the very competitive area of tourism, financial services was actively promoted.

From a point of desperation some Small Island States went too fast. Some were given advice by corporations or individuals whose credentials or qualifications are still in doubt.

We must sympathise with this fact.

As a result, some States have financial systems that need to be improved. The States themselves recognise this fact and need to improve their game. However, they should not be blamed or punished, but should be assisted out of their predicament.

The imposition of sanctions will have a dramatic effect on Small Island States' economies. Governments will lose a significant amount of revenue, which will have a direct impact on social services. This is devastating considering those same States have not been genuinely consulted in the process.

These Small Island States need assistance. We know that many of them have limited resources. Some Finance Ministries in these countries number in the hundreds but a handful of professionally qualified officers. That's the reality.

The OECD's initiative has resulted in the development of its own definition of harmful tax competition that is being imposed on non-member states.

It is also being imposed on OECD member states, but that's their prerogative, as their officials helped form the definitions.

The OECD's July 2001 sanctions decision and its current Memorandum of Understanding are both based on the OECD's work to date, of which the decision making process has been viewed as less than multilateral. The very need for this meeting is evidence of that.

If we are all here in Barbados to see the launching of a truly multilateral process, I urge the OECD to recognise that the application of both sanctions and an MOU are now misplaced.

I would suggest that the present Memorandum of Understanding needs to be reworked into a convention by agreement between equal partners as we are no longer talking about countries individually 'entering into discussions with the OECD'. Instead we are all here to promote the creation of a genuine multilateral process, where all come to the table as equals.

I hope we can talk about the creation of a new global tax forum which will flesh out the shared principles we owe it to ourselves to agree upon at this meeting.

We come here as equals. Each country around this table is a sovereign State with power guaranteed by international law, to manage their domestic affairs without interference.

As I have already said, the area of taxation is no exception.

We have come here because we are all committed to the adoption of competitive tax practices that will both maintain and attract revenue. We are here because the OECD has kicked off the process. Someone has to and it was appropriate for them to do so, however, as they also recognise, it is now time for their initiative to be made truly global, and we in the Commonwealth are here to assist that objective.

In order to do that, we must truly wipe the slate clean. Sanctions and an MOU based on a less than truly multilateral process to date are not conducive to productive partnerships.

Instead let's aim to come away from this meeting with an agreement between equal States to commit to working together to promote tax practices that we can all agree upon.

That's our challenge. Let us work together at this meeting to make up for past wrongs, put the record straight, and kick off a genuine multilateral process. Anything less than that, even in beautiful Barbados, is a waste of time, isn't good enough, won't be helpful, and doesn't do us justice.