



**HIGH LEVEL CONSULTATION ON OECD HARMFUL TAX INITIATIVE  
Barbados, 8-9 January 2001**

**STATEMENT**

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PRIME MINISTER OF THE COOK ISLANDS**

Mr. Chairman

It can take a single country many years to build an empire.  
It can take one construction company many months to erect a building.  
And it can take an individual many weeks to establish his home.  
But in today's world, it will take just a single action to destroy every one of these creations.

Building, creating, producing, growing - these can be difficult tasks to undertake.  
Destruction - well, that can come swiftly. Easily.

Mr. Chairman

As you well know, the Islands of the Pacific are scattered across a vast region of the globe.  
The 15 islands of the Cook Islands alone reach throughout 2 million square kilometres of ocean.

The Cook Islands is but a single country of little more than 14,000 people.  
They have worked hard at building it for many, many years.  
We have not done it alone, and we do not intend to.  
After all, we live among a family of nations that are bonded by the principle of sharing.

What we share most deeply is a responsibility for the welfare of peoples with inherited traditional rights to land, sea, and natural resources.  
We share an affinity for the ocean and the life it offers us.  
And we share a vulnerability from the dangers offered by the very environment in which we live.

That Pacific-wide web of peoples, cultures, and traditions, has been shaped by the forces of change for centuries.  
And we draw strength knowing that we face those challenges not alone but with a shared responsibility.  
Today, our Region is a network of shared dreams and hopes for a better future - one that maintains a 'Pacific Way' of consensual consultation.

As a region, the Pacific and its peoples have been subject to the imposition of concepts and ideals of those from afar.

Over the centuries, we have lived with the categorisations by outsiders even though the labels 'Polynesian', 'Melanesian', and 'Micronesian' do not even begin to explain the complexity and diversity of those who were expected to accept such definitions.

Over the years, we have stared into the face of a world in a state of war.  
We have encountered global division in an arena of opposing political ideals  
We have looked into the glare of nuclear testing and felt the waves of waste shipments  
through our waters.  
And we continue to live with a protracted indifference to the way the Pacific and Pacific  
peoples are affected by global climate change.  
We have met many of these forces - sometimes willingly - many times in silence.

As a State responsible for the conduct of its own affairs and as a founding member nation of  
what is today known as the Pacific Islands Forum, the Cook Islands is duty bound to voice its  
discomfort with prescribed definitions, which cast a discriminatory sweep across the face of  
small islands states struggling to build and uplift themselves.

The Cook Islands does not sit comfortably with a selective morality, which jeopardises future  
cooperative consultation and the sovereign right to develop and implement policies.

It would be an easy task to taint a small country under the gloss with which the OECD has  
chosen to unilaterally brush over our identity in the international community.

What would be far more difficult, Mr. Chairman, is for me to have to explain to Cook  
Islanders and other Pacific peoples how easily their efforts to forge economic strength and  
diversity from fragile environments with limited options will be undermined and stripped  
back by such a broad brush of shame, cloaked threats of financial protectionism, and the  
destructive force of calculated targeting.

What would be difficult, is for me to have to explain to my people and those of other Pacific  
Island countries why their efforts to build and produce stronger nations will be torn down by  
definitions void of broad international agreement, and shredded by the failure to institute  
legitimate cooperative consultation.

The Cook Islands challenges those OECD definitions and supports the criticism expressed by  
other countries over the lack of consultation by the Harmful Tax Practices Group. In the  
specific case of the Cook Islands, the bi-lateral consultative process consisted of nothing more  
than a request to respond to a list of prepared questions, and a half day country visit by a  
foreign taxation official last April.

This so-called consultative process was conducted by the OECD without objective analysis  
and without consideration to determine whether the Cook Islands taxation regime allows the  
avoidance of taxes in OECD countries.

Mr. Chairman

The OECD purports "to achieve the highest sustainable economic growth and employment  
and a rising standard of living in member countries while maintaining financial stability and  
thus contribute to the world economy, to contribute to sound economic expansion in Member  
as well as non-member countries in the process of economic development; and to contribute  
to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with  
international obligations".

The Cook Islands cannot accept that this Harmful Tax Initiative falls within the organisation's  
stated objectives.

A genuine commitment to an internationally responsible consultative process would have  
revealed that the majority of offshore entities created in the Cook Islands are not tax-  
motivated. The Cook Islands' main market for its offshore activities is the United States and  
that country's citizens who establish Cook Islands' entities receive no tax break.

In fact, both the US citizen and the Cook Islands trustee lodge income tax returns to ensure that US citizens pay US taxes.

The information gathered and available from US authorities constitute a declaration of credibility and taxation transparency of the predominant Cook Islands' offshore product, the asset protection trust.

Quite understandably, we ask: Where is the harmful tax practice?

Without vigorous debate and the input of the broad international community, this question will remain unanswered.

Without the views and considerations by non-OECD member countries, further questions will remain unanswered over tax cartel practices by wealthy countries who attract foreign investors with zero-tax policies, exemptions, subsidies, and grants - policies that appear to suit more resourceful countries while denying similar benefits to those already disadvantaged by other factors.

And without deeper examination of the myriad of issues still to be raised, additional questions remain over an equitable process of review by the OECD.

Mr. Chairman

If the international community is truly pursuant of the principles of economic cooperation and development among all nations, it would acknowledge the hardship of those struggling with the constraints of vulnerable, narrow economies, draining human resources and a paucity of skills, and the technological divide between those more advanced and those in a position of disadvantage.

Offshore financial services constitute an important component of the Cook Islands economy by promoting economic diversification by a highly skilled industry. My Government is committed to policies that further enhance the attraction for Cook Islanders to benefit from the extension of skills, which the industry provides to the finance sector. Steps are also being undertaken in a consultative manner to improve the regulatory framework of the industry, which would promote credibility further.

Offshore financial services in the Cook Islands represent over 7% of GDP. The revenue from Offshore Financial Services received by the Government is approximately 10% of its revenue. As Prime Minister, my major concern would be that the loss of this revenue would impact seriously upon Government's present focus on social programmes to improve the health and education of Cook Islanders.

In addition, this does not take into account important economic spin-offs that are crucial to profits in telecommunications and taxation revenue by way of value-added tax, income tax, and other contributions to aspects of the domestic economy.

It's convenient to talk figures. Quite simply, people's lives are not and the human impact and reach of this industry cannot be determined here and now. The professionals dedicated to upholding the integrity and credibility of the name of the Cook Islands jurisdiction support families, Cook Islanders who, like many Pacific Islanders work hard to achieve what gains they make.

Offshore Financial Services were created to assist them - to boost economic activity in a way in which small islands states were not disadvantaged by their size or location, and also to provide a leaping off point for other economic sectors.

The Small Island States of the Pacific already have very few options in contending with widening gaps across a gulf of resources, and maintaining sovereign rights among the tide of globalisation. But we do so with a balance of respect and responsibility, as good citizens among the international family, and a strong sense of cooperation and consultation.

It should be noted for example, that the Cook Islands took immediate steps to enact Anti-Money Laundering legislation last August. Our concern then was, and still remains, to act in accordance with the concerted international effort to combat financial crime. In the spirit of cooperation, we acknowledged the importance of this particular OECD Initiative and will continue to remove the risks our jurisdiction may present to being utilised for the purposes of criminally sourced funds.

As part of the implementation process for the Act, our Anti-Money Laundering Authority is about to issue guidelines and review procedures to financial institutions based on the powers and obligations brought about by the Act. In addition, we intend to complete the process to establish a domestic financial intelligence unit in the Cook Islands, this year.

It should also be noted that despite this display of commitment and cooperation, the Cook Islands has not yet been acknowledged by the measure to remove the Cook Islands from the Financial Action Task Force blacklist.

Such a measure would have acknowledged the intent to support a determined path toward multilateral consultation and the necessity for internationally agreed definitions and criteria.

This meeting is the first real evidence of an approach to consensus-building with the interested parties and we will continue to support this framework of cooperation. In that regard, the Cook Islands fully supports continued dialogue with the Commonwealth Secretariat and the member countries of the OECD, and fully supports working towards new international standards of taxation.

An established process of dialogue will be the only way to avoid the perpetuation of misinformation and misunderstanding. And it will be the only way to move forward beyond positions of extremity, which may be harboured by some of the parties here today.

As a result of the debate thus far, I am acutely aware and supportive of the need to allow extensive input to the development of application notes. This can only lead to the betterment of our understanding of what the commitment required by the OECD means.

Until we reach that understanding, the Cook Islands is not prepared to make commitments on matters where there are as yet, no internationally agreed definitions. Nor are we prepared to give commitments in circumstances where OECD member countries are not unanimous in their position on the work of the Harmful Tax Practices Group. Because of these concerns, the Cook Islands cannot commit itself to the proposed Collective Memorandum of Understanding.

As others have already expressed, we view this particular consultation exercise as an important step - one that we endorse fully should it lead to a completely new start in talks between OECD and non-OECD members.

It is to those fresh talks Mr. Chairman, that the concept of a 'level playing field' needs to be applied. And since the OECD has claimed that the Harmful Tax Project has been mandated at the highest political level, the OECD would do well to ensure that its representation is commensurate with the political decision-making powers of the governments of non-OECD members who will be present at future high level consultations.